

**Ownership Patterns and Employee Experience of High Performance  
HRM Practices: a Comparison between International Joint Venture  
and Local Banks in Saudi Arabia**

**By**

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## **DECLARATION OF AUTHORSHIP**

I, Yazeed Falaih, hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

Signed:

Date:

*In memory of mother, at whose feet heaven lies...*

*For my father, in whose service I am...*

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## ABSTRACT

The aim of this thesis is to extend the literature on HRM in international joint venture (IJVs) by comparatively examining the adoption and implementation of high-performance HRM practices in international joint venture (IJV) and local (LO) banks in Saudi Arabia. In particular, this thesis focuses on the ways in which the effective outcomes of these practices are experienced and perceived by the employees of both kinds of banks, including their perceptions of HRM effectiveness, fairness, and organizational commitment. This PhD study is also aimed at carrying out an in-depth exploration of the mechanisms and processes that lead to the observed differences in HRM implementation and effectiveness beyond the superficial level of adoption. While the term ‘adoption’ used in this thesis refers to the formal decision agreed upon and formulated by policy-makers (e.g. top management), ‘implementation’ refers to the operationalization process carried out throughout the firm, which also determines how employees experience and judge the practices’ effective outcomes. This PhD study employs a mixed-method approach, integrating the quantitative and qualitative data at the interpretive level.

The quantitative data was collected by using a questionnaire survey of 1038 employees and analysed using a statistical package (SPSS). In addition, 27 individual interviews were conducted with employees, managers and expatriates. The findings show significant differences in the effective adoption and implementation of HRM practices in IJV and LO banks. More precisely, the statistical results point at a more positive relationship between employee experience of HRM practices and their perceived effective outcomes in IJV banks than in LO ones. In addition, the interviews conducted with managers and employees support the survey results and highlight three mechanisms/processes that contribute to the differences in the effective implementation. The factors that define these three mechanism are: a) the strategic role played by HRM functions and integration, b) the role played by the line management and c) the role played by internal learning via expatriates (as opposed to the external learning through consultants used by LO banks).

The overall results suggest that IJV not only facilitate the transfer of HRM practices but go beyond this by developing an organizational system that enables their effective adoption and implementation. The findings of this research are significant for both theory and practice. This PhD study contributes theoretically and empirically to the knowledge of HRM practices in IJVs at the organizational level by focusing on their implementation, and employee perception and experience beyond the superficial level of adoption, which tended to be neglected in previous studies. In addition, this research also explores HRM practices in a developing country, had rarely been examined in previous literature on international HRM. Based on this evidence, this study concludes by indicating avenues for further future research.

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## LIST OF ABBREVIATIONS

FDI	Foreign Direct Investment
FIEs	Foreign-Invested Enterprises
GDP	Gross Domestic Product
HRM	Human Resources Management
IHRM	International Human Resource Management
IJVs	International Joint Ventures
LO	Local Organization
MNCs	Multinational Companies
SAGI	Saudi Arabian General Investment
SHRM	Strategic Human Resource Management
SOEs	State –Owned Enterprises

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

The last few decades have witnessed the dramatic expansion of multinational companies' (MNCs) operations. While aspects such as advanced communication and technologies, along with powerful international bodies such as the World Trade Organization and the World Bank, have all played significant roles in this rapid expansion, official bodies in the host countries have also recognized the importance of foreign direct investment to gain advantages (e.g. Hollinshead, 2010). However, the entry of MNCs into other countries may take various forms. The formation of international joint ventures (IJVs) is considered to be one of the most favourable forms of strategic alliance, compared to other equity and non-equity ones (e.g. Tayeb, 2005; Beamish and Lupton, 2009). An IJV comprises two or more partners in which the headquarters of at least one of the partners is located outside the host country (Shenkar & Zeira, 1987). Throughout this partnership, partners are able to access each other's complementary resources and capabilities (Beamish & Lupton, 2009), which include, among others, management styles and human resource management (HRM) practices.

With the global increase of IJV activities, more interest and research has taken place in examining HRM practices in MNCs' foreign subsidiaries. The central debate in the existing literature of HRM practices in MNCs is the extent to which the host country subsidiaries of MNCs mimic the HRM practices found in the parent company (global standardization) and/or respond to local pressure and adapt to the HRM practices found in local firms (local responsiveness) (e.g. Prahalad & Doz, 1987; Bjorkman & Lu, 2001; Namazie, 2003; Gamble, 2003). More precisely, MNCs have to decide whether HRM practices, being part of their management practices, are to be

standardized to their global practices or localized to the practices of the host countries or a combination of both, blending standardization with local responsiveness (Lu & Bjorkman, 1997; Bjorkman & Lu, 2001; Namazie, 2003; Myloni, Harzing, & Mirza, 2004; Gamble, 2003). Therefore, investigating HRM practices and the factors that shape them in international joint ventures has become of interest to researchers because of the lack of publications on this form of strategic alliance, and because their joint management by foreign and local firms imposes limits upon the MNCs' latitude in terms of what constitutes an efficient HRM system to be introduced (e.g. Bjorkman & Lu, 2001).

This thesis draws on this body of research and expands it by examining and comparing the adoption and implementation of high performance HRM practices between international joint venture and local banks operating in Saudi Arabia and surveying how the employees of both sets of banks experience and perceive their effective outcomes. Several studies have underlined the importance of effective HRM practices as a source of competitive advantage and for determining organizations' performances and profits. In this perspective, the literature stream on strategic human resource management (SHRM) has examined the contribution to and influence on organizational performance of the HRM function, providing considerable evidence of a positive relationship through the combination of single practices that, taken together, affect an organization's performance (e.g. Huselid, 1995; Sun, Aryee, & Law, 2007). Although there is little consensus as to what constitutes this collectively high performance system (bundle), the SHRM literature has emphasized a general agreement of such a system including practices relating to ability, motivation, and empowerment (e.g. Combs, Hall, & Ketchen, 2006; Appelbaum, Bailey, & Berg, Kallerberg, 2000). Therefore, in this research, I have also followed a similar structure of high performance HRM practices and defined this system as the integrated HR activities commonly used in HRM and in IHRM literature. These practices are: recruitment and

selection, training and development, performance appraisal, promotion prospects, compensation, channels of communication, and employee participation.

## **1.2 Motivation for the Research**

Over the last few decades, there has been growing interest in examining HRM practices in international joint ventures. As stated above, while international joint ventures are seen as a vital vehicle for the sharing of knowledge, the partners may have different views on what constitute appropriate HRM practices. The previous studies in HRM in international joint ventures were mainly developed to examine the compatibility between the MNC standardization and the localization of various HRM practices in their host country subsidiaries. In addition, a variety of theoretical perspectives has been adopted (e.g. institutional and bargaining power perspectives) to theorize, hypothesize and explain the variations that occur between MNCs and their host country subsidiaries (e.g. e.g. Bjorkman & Lu, 2001; Namazie, 2003). Moreover, researchers examining the standardization and localization of HRM practices in international joint ventures predominantly collected data from the managers and professionals responsible for HRM issues. In most instances, the data were also collected from a single respondent in each subsidiary. Lastly, most of the previous academic researchers in this strand of studies examined HRM in international joint ventures mainly in Japan, China and the EU. Recently, there has been an emerging stream of research in this perspective in the Middle East, more precisely in Iran (Bjorkman & Lu, 2001; Namazie, 2003; Gamble 2003; Hannon, Huang, & Jaw, 1995). Overall, the results indicate that there is clear evidence that HRM practices in host country subsidiaries are more likely to be standardized to those of the parent company, although there are hybridisations of some of the practices influenced by the local environment (local responsiveness). In addition, the literature also points at several factors that determine the level of transfer from MNCs to their host country subsidiaries, such as the culture and institutional forces of the host countries, numbers of

expatriates, modes of establishment, and control of critical resources. However, even if HRM practices are genuinely transferred, it remains to be seen whether and to which extent they have been valued by the subsidiary personnel or how they are implemented throughout the firms. More precisely, it can be argued that previous studies suffered from theoretical and methodological limitations.

As noted earlier, prior researchers have adopted a variety of theoretical perspectives (e.g. institutional and bargaining power perspectives) to identify the determinants of the level of transfer within MNCs. The factors identified were dependent on the level of analysis, whether at the macro (e.g. host and home country) or at organizational level (resources, ownership patterns, expatriates, and backgrounds of HRM managers) (e.g. Bjorkman & Lu, 2001; Namazie, 2003; Myloni *et al.*, 2004). While the studies provided interesting findings, it appears that there is scant knowledge on the implementation process of HRM practices at the receiving end, and how these practices are operationalized throughout the firms. In addition, the choice of respondents seems to be problematic for two reasons. Firstly, most of the prior research collected data from a single respondent at the managerial level or an expatriate in each host country subsidiary. Secondly, HRM managers or others responsible for HRM issues were asked to estimate the extent of standardization or localization of HRM practices. It can be argued that, while collecting data from more than one respondent in host country subsidiaries can be seen as challenging (e.g. Bjorkman & Lu, 2001), reliance on a single respondent can produce inaccurate and biased results. Prior research on HRM and SHRM has shown that managers tend to overestimate the influence and adoption of HRM practices (e.g. Liao, Toya, David, & Ying, 2009; Edgar & Geare, 2005). In addition, reliance on top management as the only source of key informants does not allow to differentiate between the HRM practices that are 'intended' to be put in place by the foreign subsidiaries and MNCs and what is actually 'implemented' throughout the firms (Khilji & Wang, 2007). While differences between intended and implemented HRM practices are commonly

experienced, Purcell and Hutchinson (2007) argued that employee perceptions and reactions pertain to the actual implemented HRM practices, as they judge and react to them in terms of their effectiveness. Together with their theoretical limitations regarding how HRM practices are implemented, it can be argued that previous studies have neglected both the implementation and the employee perception and experience of HRM practices; therefore, this PhD study incorporates them. Thus, the examination of HRM practices in international joint ventures needs to be extended beyond considering the factors that determine the extent of HRM practice transferability and collecting data from managerial respondents. It has to cover a more in-depth analysis of how the HRM practices that are experienced by employees are operationalized throughout the firms, and how employees judge their effective outcomes.

The last motivation for this study is the research location context. Besides the fact that there are still few studies examining HRM in international joint ventures in general, as discussed earlier, a considerable amount of such research has been carried out in China (Bjorkman & Lu, 2001; Gamble, 2003; 2006) and, more recently, in Iran (Namzai, 2003; 2007). Thus, there is a lack of related research in Gulf Cooperation Council countries such as Saudi Arabia. Countries in this region have unique socio-economic characteristics, which will be highlighted in more detail below that can reflect on international joint ventures structure, management styles, and HRM practices. This gives a critical case for a comparison study between international joint venture and local banks operating in Saudi Arabia, which would allow the researcher to capture in-depth the impact of socio-economic conditions on HRM practices and the similarities and differences in the adoption and implementation of high performance HRM practices among the two sets of banks.



### ***1.2.1 The Context of Saudi Arabia and the Banking Industry***

The Kingdom of Saudi Arabia is the largest country in the Gulf Cooperation Council and shares similar unique political and socio-economic characteristics with its neighbours. Saudi Arabia is an Islamic monarchy, with Islam being reflected in all aspects of the country, such as culture, law, and the social fabric (Altwajiry *et al.*, 2003). While Islam plays a vital role in shaping people's behaviours and management, the characteristics and influence of traditional Arab norms on management in general and HRM in particular (e.g. favouritism) are also prominent. From the economic perspective, while the Kingdom is recognized as one of the richest countries in terms of natural resources such as oil and gas, the Saudi economy has undergone substantial reforms since the early 2000s to reduce the degree of oil dependence, encourage more foreign direct investment (FDI) and create new jobs, which have resulted in an increase in international investment (e.g. Ali, 2009). However, two of the key challenges confronting the Saudi economy are rapid population growth, which, in the long run, reflects on the levels of unemployment, and the lack of skilled and professional labour, because of the mismatch between the output of the education system and labour requirements (Looney, 2004; Achoui, 2009). In tackling these issues, Saudi Arabia has adopted the 'Saudization' programme, aimed at qualifying young Saudis, through the Human Resource Development Fund, in specific aspects such as behavioural and technical skills to boost employment in the private sector. One of the sectors most highly affected by Saudization is the banking industry. In 2003, the Ministry of Labour ordered the banks to localize 9,771 jobs held by expatriates. Accordingly, Looney (2004) argued that, this decision would result in a brain-drain problem and the loss of skilled employees to banks in other countries the region (e.g. the United Arab Emirates). However, the Saudi banking industry has experienced prominent development over time since the establishment of the Saudi Arabia Monetary Agency as a coordinator of the industry in 1950. Nowadays, the commercial banks in Saudi Arabia are the largest in the Gulf Cooperation Council area in terms of size. These banks operate in a competitive

market, and provide multiple services, including retail and investment, that require competitive human capital. Under this unique mixture of socio-economic features (e.g. Saudization and favouritism), the characteristics of HRM practices and the way in which they are adopted are likely to influence all organizations operating in Saudi Arabia in general and the banking industry in particular. As a result of such influence, Saudi Arabia offers a critical case for exploring the extent to which firms can or cannot overcome local constraints in the adoption and implementation of new HRM practices.

### **1.3 Research Aims and Objectives**

The primary theme of this PhD research is to compare the adoption and implementation of high-performance HRM practices between international joint venture and local banks in Saudi Arabia. It extends the existing literature on HRM practices in host country subsidiaries by examining how these practices are experienced by employees, including their perception of HRM effectiveness, fairness (distributive and procedural), and organizational commitment. This will be done by adopting and examining a conceptual framework that focuses on the employee experience of these practices, and its mediation in relation to employee perception outcomes (explored in detail below). This PhD study also explores in-depth the mechanisms and processes leading to the observed differences in HRM implementation and effectiveness, beyond the superficial level of adoption, in international joint venture and local Saudi banks, respectively. In addressing and achieving the research aims, the following objectives are derived:

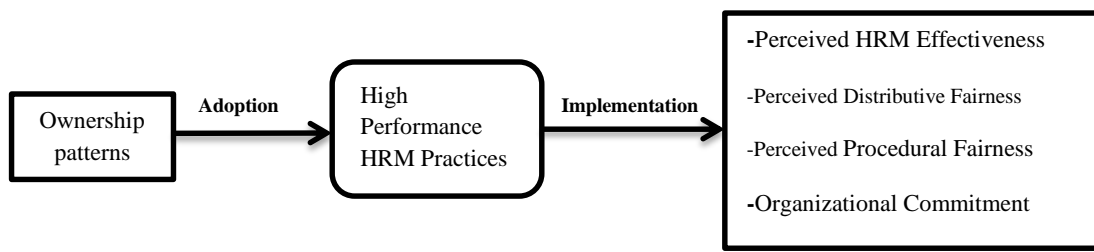
- To provide an in-depth analysis and an assessment of high performance HRM practices and of the influence of ownership patterns in international joint venture and local banks in Saudi Arabia.
- To determine whether there are variations in the degree of effective adoption and implementation of high performance HRM practices between the two sets of banks.

- To determine whether there is a consensus among employees and managers in terms of reporting high performance HRM practices in the two sets of banks.
- To identify mechanisms and processes that lead to the effective implementation of high performance HRM practices in the two sets of banks.
- To draw a conclusion and provide recommendations for practitioners in and outside of the banking industry and further future research.

As noted earlier, by achieving these objectives, this study will contribute to the body of research on HRM practices in international joint ventures and to the international comparative literature by examining economically developing countries such as Saudi Arabia.

## 1.4 Conceptual Framework

In addressing the limitations of prior research studies, a conceptual framework has been developed for this PhD research study to quantitatively examine the adoption and implementation of high performance HRM practices in the two sets of banks. The conceptual framework model is depicted below.



**Fig. 1.1:** Impact of ownership pattern (joint venture versus local firms) on employee experience and effective outcomes

The figure illustrates the relationship between ownership patterns (international joint venture versus local Saudi firms) and employee experience and perception of high performance HRM practice effectiveness outcomes, including the perception of HRM effectiveness, fairness (distributive and procedural), and organizational commitment. This conceptual model allows a

deeper understanding of the adoption and implementation of HRM practices in international joint venture subsidiaries as compared to local Saudi firms. For the purpose of this thesis, ‘adopted’ defines the HRM practices as they agreed upon and formulated by the policy-makers (top management, HRM managers, and line managers). On the other hand, implementation refers to the operationalization of HRM practices throughout the firms: how they are operationalized, and how employees experience and judge their effective outcomes. Adoption and implementation vary in terms of its effectiveness, resulting in variation in employee experience of HRM practices and variation in their effective outcomes. In line with previous studies, it can be argued that employees in international joint venture firms are more likely to experience effective adoption and implementation of high performance HRM practices than are employees in local Saudi firms. In this PhD study, the researcher defines employee experiences of high performance HRM practices as these exist objectively and are experienced throughout a firm by the employees in their daily activities. Moreover, the employees’ perceived effectiveness is defined as the evaluation, judgement and satisfaction of the experience of high performance HRM practices (e.g. Choi and Lee, 2013). Organizational justice refers to the fairness of the HRM system adopted throughout an organization (e.g. Bryne & Cropanzano, 2001). In this study, organizational fairness is measured in terms of employee perception of both distributive and procedural fairness. Both categories are widely acknowledged in SHRM literature (e.g. Bowen & Ostroff, 2004). Furthermore, the acknowledgement of organizational fairness is vital in the Saudi context. This is because the culture of Saudi Arabia is characterized by a mixture of Islamic ideology, adopted and legitimized throughout the country, and Arab traditional norms that, together, influence management style in general and HRM in particular (e.g. influence of favouritism). The last outcome is organizational commitment; particularly, the focus of this thesis is on affective commitment, which is defined as employee attachment towards an organization (Meyer & Allen, 1991). It has been argued that employee attitudes and behaviours are more likely to be influenced

by how and why HRM is implemented throughout an organization (e.g. Nishii, Lepak, & Schneider, 2008).

## **1.5 Research Methodology**

This PhD research study adopted a mixed method approach and a mixture of both quantitative and qualitative data were integrated at the interpretive level. The study adopted the widely used cross-sectional research design and the data were collected as a snapshot of one point of time. The quantitative data were collected from employees through a self-completed survey. The aim of this data was to examine the conceptual model statistically. The technique was adopted because it is considered to be quick to administer, inexpensive, convenient for respondents, and can be distributed in very large quantities at the same time (Wilson, 2010; Bryman & Bell, 2011). The qualitative data were collected using semi-structured interviews with various stakeholders, including employees, line managers, HRM managers and expatriates. Semi-structured interviews allow the researchers to cover a set of themes and questions, while at the same time allowing for the collection of more in-depth data. The aim of the qualitative data was to explain the results statistically on one hand, and to explore the in-depth mechanisms and processes that can be attributed to the effective implementation of high performance HRM practices on the other. Collecting the data involved various stages, beginning with a few pilot interviews to explore the phenomena of HRM practices, to the data collection by means of the semi-structured interviews. Prior to the main distribution of the questionnaire, the validity of the questions was taken into consideration. The questionnaires were distributed as part of a pilot study, and any comments and suggestions were considered. The reliability of the items was also verified using Cronbach's alpha coefficient along with a factor analysis performed through principal components analysis (PCA). In addition to the reliability and validity, the common method variance was also examined as the data were gathered solely from employees at the organizational level. Furthermore, employee

experiences (independent variable) and employee perceptions of HRM effectiveness outcomes (dependent variables) are all collected based upon a scale expressing degrees of agreement. The quantitative data were analysed using Baron and Kenny's commonly and widely used four steps of analysis, coupled with Sobel and Bootstrapping tests to examine the significance of the indirect effect. The qualitative data were analysed using thematic analysis to identify, analyse, and report patterns within the data.

## **1.6 Thesis Structure**

This thesis is articulated in seven chapters, including this introduction chapter. Chapter one explains the background and the motivations of this study, and outlines the conceptual framework guiding the study. This is followed by the research aims and objectives, and finally by the research methodology and methods used to collect the data.

Chapter two presents a comprehensive review of the relevant literature and explains the conceptual framework in further detail based on various topics, including international HRM and Strategic HRM literatures. The discussion in the chapter also highlights institutional theory, which is a widely adopted and accepted perspective in the context of HRM in international joint ventures.

Chapter three covers two related areas: background information on Saudi Arabia and on its banking industry, in which this research study took place. The context of Saudi Arabia is discussed briefly on the basis of its political and socio-economic situation and on how it relates to FDI, management style, and HRM practices. The second part of the chapter presents the banking industry in terms of its development and growth, highlights the role of the Saudi Arabian Monetary Agency for organizing the banks and discusses HRM practices.

Chapter four is divided into two sections, including the research methodology (that covers the research philosophy used to guide this research), and the research methods used to attain the

developed objectives in this thesis. This section outlines the target population of this study, sample design and procedures, details of data collection techniques (self-completed questionnaire and semi-structured interviews), the reliability and validity of the questionnaire, including the testing for common method variance and the data analyses adopted in this thesis. The chapter ends with a brief analysis of the development of the measurements and tools that were employed.

Chapter five demonstrates the first part of the analysis results. The core aim of this chapter is to confirm the effective adoption and implementation of high performance HRM practices and how they are experienced and perceived by employees. To begin with, the chapter provides details of the statistical procedure of mediation analysis based on Baron and Kenny. The chapter also includes the relevant tests for the significance of the indirect effect, including Sobel and bootstrapping tests. Following the statistical results, the employee interview data are also analysed to support the statistical findings. The chapter concludes by showing the impact of the demographic factors on the variables under investigation, along with a detailed explanation of the findings.

Chapter six provides an in-depth analysis of the results, based upon qualitative data from HRM managers, line managers and expatriates. The chapter focuses on the processes/mechanisms linked to the effective implementation of high performance HRM practices. The results are also correlated and discussed under the lens of the existing literature; the chapter ends with a summary of the key findings between the two sets of banks.

Chapter seven is the discussion and conclusion chapter. It presents a reminder of the aims and objectives of the research and links them to the main results of the last two chapters. This is followed by a discussion of the implications of the results for all relevant internal and external beneficiaries (e.g. HRM managers, other organizations in the field and outside the field). The

chapter concludes by highlighting the limitations of the study, and provides recommendations for future studies.

## **1.7 Summary of the Findings and Implications of this Study**

The findings of this research indicate that there are significant differences between international joint venture banks and local ones in the extent of their adoption and implementation of high performance HRM practices. Relative to local Saudi banks, the statistical results indicate that international joint venture banks adopt and implement high performance HRM practices more effectively. It shows that there is a more positive relationship in international joint venture banks than in local Saudi banks between employee experiences of high performance HRM practices and their perceived effective outcomes, including HRM effectiveness, organizational fairness (distributive and procedural), and organizational commitment. In addition, the interviews conducted with managers and employees support the survey results and highlight three mechanisms/processes that contribute to the differences in effective implementation. These mechanisms are linked to the following factors, respectively: a) the strategic role of HRM functions and integration; b) the role played by the line management; and c) the role played by internal learning via expatriates (as opposed to external learning via consultants, as adopted by local Saudi banks). Therefore, this PhD study concludes that international joint venture banks have developed the capacity to adopt and implement new HRM practices. This is not only due to their greater degree of freedom from local constraints, as indicated in previous studies, but also owing to managerial efforts and organizational capabilities.

Drawing upon the discussion above, this PhD research study extends the current literature of IHRM in international joint venture by focusing on the micro-level of the adoption and implementation of HRM practices. In doing so, this research contributes to the existing literature by examining and incorporating the implementation and the employee perception and experience,



which tended to be neglected in previous studies. In addition, previous studies did not examine the mechanisms/processes that lead to the observed differences in HRM implementation and effectiveness; hence, this PhD study also explores the qualitative factors contributing to such differences. Furthermore, as far as the researcher is aware, this is the first study of its kind in Saudi Arabia to examine the implementation and the employee experience and perception of HRM practices. The results of this study can also provide new stock of knowledge for practitioners and HRM managers in Saudi firms. Its findings may also inspire further studies at the micro level on both employee experience and the dynamics of the implementation process in host country subsidiaries of MNCs.

## **1.8 Chapter Summary**

This chapter presented a base and foundation for this thesis. It began with the details of the study background, aimed at positioning this study against the broader backdrop of the existing literature on HRM in international joint ventures. The details of the study's motivations were discussed, briefly outlining the gaps in the existing literature. This chapter also briefly outlines Saudi Arabia's political and socio-economic characteristics and emphasizes the importance of carrying out such a study in the Kingdom as one of its key distinguishing factors. The study aims and objectives were provided in detail. As has been illustrated, this study carries out a comparison between international joint venture and local banks operating in Saudi Arabia in terms of their adoption and implementation of high performance HRM practices and of how their employees experience and perceive its effective outcomes. This PhD study also explores the processes and mechanisms attributed to the effective implementation of these practices beyond the superficial level of adoption. This chapter then proposed the conceptual framework that was developed for this PhD study. In addition, a broad outline of the methodology and methods used in this thesis,

along with an overview of its structure, were provided. The chapter concludes with a brief overview of the findings and contributions that this study intends to deliver.

Drawing upon the existing literature, the following chapter will provide further details of this study's background and conceptual framework.

# **CHAPTER TWO**

## **LITERATURE REVIEW AND CONCEPTUAL MODEL DEVELOPMENT**

### **2.1 Introduction**

In recent years, the expansion of multinational companies' (MNCs) operations through the formation of international joint ventures (IJVs) as a form of strategic alliance has been growing as a consequence of the rapid increase in international trade and of the opening up of new markets for direct investment (Tayeb, 2005). IJVs have become an important platform for transferring and learning new HRM practices between partner firms. There is an active debate about the extent to which HRM practices in IJVs adhere to those of foreign MNCs rather than to those of local firms (e.g. Namazie, 2003; Walsh & Zhu, 2007). The relation between IJV and HRM can be seen as complex because of multiple owners, in addition to a mixture of both local managers and expatriates at the managerial levels (Shenkar & Zeira, 1987). This chapter provides a comprehensive review of the relevant literature that has examined the degree of global HRM integration versus local responsiveness. Most existing studies on HRM in IJVs share similar research methodological and theoretical limitations. Overall, they have been concerned with the broad question of whether the HRM practices of IJVs follow those of the parent firm or adapt to local practices. The main focus of the investigation of these studies has been on the factors that affect the transferability of HRM practices. The aim of this PhD research study is to extend the existing literature by investigating the adoption and implementation of high performance HRM practices within MNC subsidiaries, as opposed to local firms, to provide more context and comparison for this subject. In doing so, a conceptual framework has been developed to examine the extent of the adoption and implementation of high performance HRM practices, and the

mechanisms/processes leading to the observed differences in HRM implementation and effectiveness will be explored.

This chapter is divided into three parts which, together, represent the analytical framework that guides the empirical investigations. The first part provides a general review of the literature on IJVs. The second part incorporates the relevant theoretical approaches and their relations to the debate of ownership patterns and HRM practice. Although, for IJVs, the literature defines ownership patterns as the parent companies having voting rights on the board and often examines their influence based on the amount of shares (e.g. Lu and Bjorkman, 1997), this thesis refers to an ownership pattern to differentiate between IJV and local firms. In addition, various gaps in the existent literature on HRM in IJVs will be discussed. Finally, the conceptual model for this study will be developed. This will be followed by a summary of the chapter's key points.

## **2.2 Multinational Companies and International Joint Ventures**

Multinational companies and their strategic international alliances provide an important case for investigating HRM practices because of the competing pressures from the host and home countries. In order to understand the influence of ownership patterns on employee experience of HRM practices and their consequences, it is important to begin by providing the foundation of MNCs' and IJVs' establishment in the international arena and their relations to HRM practices. Since the early days of the human race, trade between different tribes, societies and, later, nation states have been a feature of our economic lives through the ages, albeit with different paces and intensities. At the regional level, the industrial revolution, which began in the mid-eighteenth century in England and spread rapidly, first through Europe and then on to the Americas, Asia and the rest of the world, was an instigator for open business. In our time, many scholars and practitioners have rightly considered the development of our telecommunication and information

technology as a second industrial revolution, which, in turn, has increased the volume of trade between nations (Tayeb, 2005). The MNCs' arrival at this position is based on the development of international capitalism through logical steps. These developmental steps are commonly seen as a reflection of three stages, starting from capital circulation through trade, to money circulation through portfolio investment and finally to productive capital in the form of MNCs (e.g. Dicken, 2007). Furthermore, Edwards and Rees (2011) argued that the first step in international trade was taken centuries ago and explain the latter two steps in three eras. In the 1800s, the portfolio investment form was taken up by foreigners' investment in productive activities, whereby investors just held a stake in an enterprise without any involvement in the management of its operation. In the 1900s, there was a growing trend for firms to be owned directly by foreign investors. Such firms were called 'free-standing companies', whereby they were owned by foreigners – individuals or institutions – in one country but operated solely in another. In this period, the motivation for internationalization was securing a stable source of raw materials. In the post-war period, firms were looking to move beyond obtaining new materials to securing access to a different production and labour force. In this period, the authors, in a summary of previous work done by Forbel in 1980, argued why this piece of work did not explain the patterns of foreign direct investment (FDI). In our current time, an advanced explanation of company internationalization, is given based on national 'chains', in which production is undertaken in different units across different countries.

The noticeable advances in the communication and transportation of technologies have continued to remove geographical borders, expand the economic market and provide access to new and better resources; the challenge of competition and the improved mobility of people have fostered internationalization in the context of business (Griffin & Pustay, 1998). Besides technology and communication, Brewster, Sparrow and Vernon (2007) pointed out that this also applies to our economics and our understanding. At an international level, powerful international bodies such as

the World Trade Organization, the World Bank and the International Monetary Fund have contributed to lowering trade barriers. It has been argued that MNCs played a significant role in this process because of their dynamic role in shifting services and goods around the world (Tayeb, 2005). As argued by Ferner (1994), MNCs are the principal agents of globalisation. However, the reductions in international business complexities, such as the liberalisation of international trade have without doubt increased the international operations of MNCs in the last 20 years or so to gain or maintain competitive advantage. Accordingly, the United Nations Centre on Transnational Corporations has estimated that there are around 61,000 multinational companies with around 900,000 subsidiaries worldwide. These companies employ about 54 million people and have annual sales of \$19 trillion (UN, 2009).

The existent literature points at various motivators for MNCs relocating their operations from one country to another, including accessibility to new markets, skills and knowledge, ability to tap into successful industries, to invest in a physical location in a foreign market that offers a number of strategic advantages over and above exportation; to improve the cost efficiency of human resources on an international basis; and host country incentive (e.g. Ghertman & Allen, 1984; Barrell & Pain, 1997). In the latter case, it is undeniable that governments and stakeholders in host countries are aware of the economic benefits of offering a favourable environment in order to gain FDI. Local governments may offer financial incentives, tax concessions or, more generally, a cost-effective and flexible context for the business (Hollinshead, 2010). In return, the author argued that MNCs offer a positive effect, not only in creating jobs but also in an indirect boost for suppliers, services and infrastructure. MNCs have also taken credit for exportation of new technologies and managerial styles. However, despite the advantages of FDI, companies might meet significant resistance to opening new markets in foreign countries, as governments strive to protect local firms (Datta, 1988). Therefore, in some cases, MNCs are under pressure to adjust their operations to fit with the host countries' legal and social requirements, along with negotiation

of the mode of entry and modifying their products and services to suit the preferences of the host countries' customers. In addition, the global nature of MNCs entitles them to employ personnel from different parts of the world, which makes their human resource strategies and practices very difficult managerial tasks (Taybe, 2005). As a result, interest has been raised among managers and scholars in the selection of the most effective HRM systems in overseas subsidiaries of MNCs because of the important assets of human capital for competitive advantage (e.g. Bartlett & Ghoshal, 1991).

### ***2.2.1 International Joint Venture and Reasons for Formation***

The importance of international strategic alliances has been growing in recent years due to the recourse to globalization as a means for MNCs to expand their international operation. A strategic alliance is a joint cooperative agreement between two or more companies from different backgrounds that intends to benefit all partners. A strategic alliance can take various forms, including non-equity and equity alliances. While, in the former, partners cooperate as separate legal entities and profits and other responsibilities are assigned to each party according to contract (e.g. franchising), the latter involves partners creating jointly-owned entities (e.g. subsidiaries and joint ventures) (Dowling, Festing, & Engler, 2008). Prior research indicates that forming IJVs has become a favourable choice compared to other types of equity and non-equity strategic alliances (e.g. Beamish & Lupton, 2009). According to Shenkar and Zeira (1987; p.547), an IJV is defined as 'a separate legal organizational entity representing the partial holding of two or more parent firms, in which the headquarters of at least one is located outside the country of operation of the joint venture. This entity is subject to the joint control of its parent firms, each of which is economically and legally independent of the other'. In other words, this multiple ownership structure brings together organizational units which differ in national origin, cultural values and social norms, as well as possibly having political, economic and legal system differences.

It has been observed that MNCs form alliances with local partners in different countries in order to develop products and/or services, enter new foreign markets or, potentially, both (Beamish, 2008). Unlike wholly owned subsidiaries, the formation of IJV provides an effective means for MNCs to acquire local knowledge to protect their investments in highly uncertain foreign markets and overcome location-based disadvantages when they have no previous operational experience in the host countries (Brouthers, 2002; Makino & Beamish, 1998). Tallman, Sutcliffe, and Antonian (1997, p. 185) pointed out that “IJVs... combine the capabilities of foreign companies with local knowledge and contacts, as well as a certain amount of legal protection, thereby reducing uncertainty and potentially providing decreased costs and increased revenues”. Moreover, the compatibility of the resources between the partners is considered to be one of the most important aspects for MNC expansion. The capital invested in IJVs enhances the partner’s commitment, which thereby influences the probability of success, enhances cooperation among partners that is vital in a competitive environment, and provides unique resources and capabilities that cannot be easily duplicated (e.g. Beamish & Lupton, 2009: p.75). The authors stated that “JVs enable firms to access each other’s complementary resources and capabilities in order to achieve economies of scope and/or scale, and to develop new products faster, more reliably, and more cheaply than could be done by either firm acting alone or through acquisition”. Furthermore, it has been indicated that foreign partners provide IJVs with upstream resources such as funding, brand and production technology, as well as learning about the parent cultures, management styles, goals and values (Connolly, 1985; Pan, 1996). Local partners, on the other hand, provide downstream resources such as awareness of local markets, access to distribution channels, personnel, knowledge of local regulations and access to government authorities (Inkpen & Beamish, 1997; Kale & Anand, 2001). In addition, partners in IJV also share assets, combine skills and knowledge, mix employees and engage in joint management (Tayeb, 2005). Among other resources that play vital roles in the creation and success of IJVs and as sources of competitive advantage, are management style and HRM features (e.g. Geringer & Frayne, 1990; Lu &



Bjorkman, 1997; Gamble, 2006). Schuler (2001) suggested that one of the critical factors for IJVs failure is the quality of HRM. The author provided a model of four stages (formation, development, implementation, advancement) with the most relevant HRM activities for each stage. These stages are argued to be characterised by different HR activities and issues. As such, while, in the formation stage, HR activities need to be looked at from an overview organizational perspective, including ensuring extensive communication, in the advancement stage, mutual learning and sharing between partners become stronger and critical, and the best practices are applied. The author concluded (p.44, 45) that “identifying and addressing these issues and activities takes a great deal of systemic investigation. Failure to do so may contribute to, if not result in ‘outright’ failure of the IJV”. The importance and fast growth of IJV in the global economy, and the considerable role of HRM in IJVs, have all increased the interest and research on HRM practices in MNCs’ local operations (e.g. Bjorkman & Lu, 2001; Lu & Bjorkman, 1997; Namazie 2003; Gamble, 2003, 2006). Unlike full MNC subsidiaries, IJVs are formed of multiple parents that have backgrounds in at least two different countries and different notions about what constitute appropriate HRM practices (Shenkar & Zeira, 1987). This IJVs structure provides an interesting unit of analysis for HRM practices in terms of implementation and effectiveness.

### **2.3 The strategic role of HRM in MNCs**

A central question in MNC literature has long been the extent to which MNCs management practices follow and resemble those of the parent company (global integration) or adapt to the local environment of the host country (local responsiveness). Research on international HRM has shown various advantages of standardizing HRM in MNCs’ international operations. Among others, Bartlett and Ghoshal (1991) argued that human assets are an emerging source for MNCs’ competitive advantage and HRM practices and policies are the glue that holds global organizations together and represent mechanisms for the co-ordination and control of MNCs’ international

operations. In addition, it has been suggested that a consistent set of HRM practices in MNCs provides a sense of equity among employees across organization units in different countries as well as increasing collaboration across these units (Reosenzweig & Nohria, 1994; Taylor, Beechler, & Napier, 1996). In addition, a HRM system can shape organizations and result in MNCs transferring their best practices abroad (Myloni, Harzing, & Mirza, 2004). A more recent study also found that the transfer of HRM practices and of their effective execution in Sino-Japanese joint ventures located in China is positively related to the engagement of organizational citizenship behaviour among employees (Lam, Chen, & Takeuchi, 2009). However, due to the complexity of managing and employing personnel from different countries and cultural backgrounds, HRM acts as a major constraint when MNCs aim to adopt a global strategy (Myloni *et al.*, 2004). In this perspective, research in international business argues that MNCs are confronting contradictory pressures when choosing between the global integration and coordination of their management practices or adaptation to local responsiveness (e.g. Prahalad & Doz, 1987). More precisely, as Brewster, Sparrow, and Harris (2005, p.951) put it, “where global integration and co-ordination are important, subsidiaries need to be globally integrated with other parts of organization or/and strategically co-ordinated by the parent. In contrast, where local responsiveness is important, subsidiaries will have far greater autonomy and there is less need for integration”.

The global integration and local responsiveness debate can be traced back to the late 1960s, to the work of Lawrence and Lorsch (1969), who argued that the centre of the management problem is to maintain the necessary internal differentiation, which usually corresponds to the environmental complexity, while also developing sufficient integrating mechanisms that ensure that the separate units and departments are coordinated with respect to the organizational activities and goals (see also Rosenzweig, 2006 for further details). Soon after, a model was developed and adapted explicitly to MNCs to explain the dynamics of managing the organization and staffing of their

subsidiaries across different countries (e.g. Doz, 1976; Prahalad, 1976). While Doz (1976) used political terms to describe differentiation, placing an emphasis on the tension that exists between the ‘economic imperative’ (large scale efficient facilities) and the ‘political imperative’ (local content laws, local production requirements), Prahalad (1976) developed a typology for multinational companies arguing the ‘need for managerial interdependence’ (integration) versus the ‘need for managerial diversity’ (local responsiveness), thus stressing the need for differentiation on a geographical basis.

One of the earlier and most important foundations for this strand of research and a basis for several later models were the seminal papers produced by Perlmutter alone (1969) and in collaboration (e.g. Heenan & Perlmutter, 1979). The authors developed four MNC strategies: ethnocentric, polycentric, geocentric and regioncentric. The ethnocentric approach sees MNCs transferring their effective management practices to their subsidiaries. In this approach, subsidiaries are controlled from the MNC’s home country and expatriates are responsible for their management. In a polycentric approach, MNCs consider their subsidiaries to be separate entities, decentralizing some of the decision-making autonomy. As a result, these sites of operation are managed by local managers and employees as the actors most suited to formulate realistic practices and policies that reflect local needs. Although the top positions are filled by locals, these are rarely promoted to positions in the headquarters. In addition, the move towards becoming polycentric is argued to be complex for MNCs as they need to pay careful attention to the composition of the subsidiaries’ management teams and to the extent of their commitment to organizational values before allocating them autonomy in some management aspects, such as HRM and marketing, while retaining others (e.g. financial management) at the central level. This approach allows MNCs to deal with local pressure in terms of cultural distance obstacles and to avoid the turnover of key management (Dowling *et al.*, 2008; Hollinshead, 2010). The geocentric and regioncentric approaches focus on the global scope of MNCs’ operations and recognize both the headquarters’

and subsidiaries' unique strengths and contributions that allow MNCs to cooperate, share resources and respond to and be flexible with regard to local needs; but the regioncentric approach varies in terms of devolving corporate power responsibility to the official office in the specific region. Edwards and Rees (2006) argued that the regioncentric approach is the most suited to the current era of globalization, considering the fact that both FDI and the physical locations of subsidiaries are expanding around the triad of Europe, North America, and Asia.

Another model was developed by Adler and Ghadar (1990). The authors recognized the evolutionary tendencies of MNCs and suggested four phases for the internationalization of the MNCs' strategies and structures. These phases are as follows:

- Domestic: MNCs are mainly concerned with their home market and exports and place their management emphasis on the ethnocentric perspective, with managers from headquarters visiting the subsidiaries from time to time on a project basis.
- International: MNCs are concerned with local market responsiveness in host countries and transferring learning. This phase corresponds to the polycentric classification of Perlmutter (1969), and takes into consideration the host countries' cultures. Expatriates from the MNCs' home countries provide local subsidiaries with various resources including general management and technical expertise.
- Multinational: MNCs recognize the importance of MNC subsidiaries for cost-effectiveness purposes, and therefore acknowledge cultural diversity. In terms of the HRM perspective, MNCs in this phase will ensure that effective managers are employed in top positions regardless of their backgrounds, to promote unification objectives.
- Global: this phase is closely associated with Perlmutter's (1969) global typology and emphasises international competition and adaptability to local environments, i.e. 'local responsiveness'. In this phase, cultural sensitivity becomes critical to respond to both

internal and external organisational local pressures by generating creativity and innovation.

These models have been criticized for their over-simplification and for their general focus on MNCs' overall orientation, neglecting the fact that MNCs deal with a range of various activities, such as HRM and marketing. Each of these activities may respond differently to the competing pressures of global integration and local responsiveness as some may conform to those of the parent organization while others may adapt to those of the host country (e.g. Rosenzweig & Nohria, 1994; Prahalad & Doz, 1987). Furthermore, host country factors can constrain MNCs to the choice of a limited set of strategies. In practice, MNCs may adopt different strategies for different subsidiaries in different countries (Tayeb 1998; Myloni *et al.*, 2004). The limitations of the models described above were also noted by Taylor and Beechler (1993). They argued that these models limit themselves to considering practices from a managerial perspective, thus neglecting the voice of the employees at the receiving end in both the home and host countries. They added that these models only look at HRM practices in terms of their effects on managerial behaviours rather than as a source of competitive advantage, and heavily emphasise the stages as primary determinants for foreign subsidiary HRM practices. However, some scholars (e.g. Schuler *et al.*, 1993; Taylor *et al.*, 1996) acknowledged the important link between HRM practices and MNC strategies and called the subject of this strand of research 'Strategic HRM' (SHRM). There have been attempts to define integrative frameworks – dependent on both MNCs' preferences and structures, and local conditions – aimed at understanding the SHRM relationship between MNCs and their MNC subsidiaries (e.g. Schuler, Dowling, & De Cieri, 1993; Taylor *et al.*, 1996; Bjorkman and Welch, 2014). For example, the model developed by Schuler *et al.* (1993) includes both exogenous factors (industry characteristics, such as technology, the nature of the competition and the extent of change, and country/regional characteristics, such as political, economic and socio-cultural conditions, and legal requirements) and endogenous factors (the structure of the

international operations, the international orientation of an organization's headquarters, the competitive strategy being used and the MNCs' experience in managing international operations). However, even this model has been criticised for oversimplifying the influence of macro-environmental aspects, such as culture and the institutional context, as it treats them as contingency factors, although it has been argued that, at the firm level, globalization is viewed as a country specific phenomenon (e.g. Ferner & Quintanilla, 1998; Brewster et al., 2005). Rosenzweig and Singh (1991) provided a wider-ranging view of the relationships between MNCs and their environment which has implications for IHRM. The scholars provided several factors that reflect on the extent of global integration and local adaptation, such as legal and regulatory constraints, industry, technology, cultural distance between parent and host countries and level of dependence of host country on MNCs, and concluded that both the organizational and national environments are important.

Given the discussion above, it appears that, while transferring HRM practices is a source of competitive advantage and coordination for MNCs international operations, MNCs are confronted with a number of contradictory objectives including the degree of global integration, local responsiveness, flexibility and adaptability, and the successful transfer of learning across various units. MNCs need to be more dynamic in terms of formulating balanced responses to both global efficiency and local responsiveness (Bartlett & Goshal, 1989; Tayeb, 1998). In addition, the global integration and local responsiveness debate began with simple models which emphasised top managerial and expatriate attitudes but shifted to more complex models incorporating multiple layers of analysis, from national environments to organizational factors. Altogether, this leads to the central question in MNC literature, which is the extent to which subsidiaries act and behave as local firms (corresponding to local isomorphism), in contrast to the extent to which their management practices resemble those of the parent company (corresponding to internal consistency) (e.g. Rosenzweig & Norhia, 1994). More precisely, it is essential for MNCs to decide

whether HRM practices, being one of their management practices, are to be globally standardized, localized to the practices prevailing in the host countries, or be the result of a combination of both, blending standardization with local responsiveness (e.g. Taybe, 1998; Hannon *et al.*, 1995; Lu & Bjorkman, 1997; Lu & Bjorkman, 2001; Namazie, 2003; Myloni *et al.*, 2004; Gamble, 2003). However, transferring HRM practices across different countries has been noted to not being an easy task. Drawing upon various theoretical perspectives, the existing research highlighted some of the major obstacles that relate to the host countries' environments. More precisely, in transitional, emerging and developing nations, institutional and cultural aspects are considered to be major factors that inhibit or facilitate HRM practices transferred by MNCs (Myloni *et al.*, 2004; Namazie, 2003). In this prospective, in his study of UK retailers in China, Gamble (2003; p.384) concluded that "the firm-specific, cultural and institutional features of the host country environment, rather than country of origin, level of international production integration or product market, are the most relevant and useful factors in analysing the transfer of HRM practices". Thus, it can be argued that HRM practices in MNCs are "shaped by the interplay of opposing pressures for internal consistency and for isomorphism with the local institutional environment" (Rosenzweig & Norhia, 1994: p.230). Failure to adapt HRM practices to the host countries' environments can result in negative consequences; as a result, the evidence shows that MNCs adapt, to a certain extent, to the national culture in which they operate (Beechler & Yang, 1994; Myloni *et al.*, 2004).

## **2.4 Transferring HRM Practices to IJVs**

Prior research recognized the considerable importance of managing HRM in IJVs (Geringer & Frayne, 1990; Lam, Chen, & Takeuchi, 2009). It has been argued that the failure of IJV performance is largely affected by poorly designed and executed HR strategies (e.g. Pucik, 1988; Schuler, 2001). In his four stages-models, Schuler (2001) shows how important HRM practices

are for IJV operations. However, as discussed earlier and especially for IJVs, the transfer of HRM practices constitutes a problematic task because IJV structures are very complex. In reviewing the literature of IHRM in IJVs, two general core questions arise. The first question involves the extent to which the foreign subsidiary adheres to the HRM practices found in its parent MNC (global integration) or adapts to local practices (local responsiveness). The second question concerns which factors could explain and determine the degree of similarity and variation among individual HRM practices. This section takes a closer look at some of the empirical work relevant to this study. Prior studies (e.g. Bjorkman & Lu, 2001; Namazie, 2003) adopted various theoretical perspectives (e.g. institutional and resource dependence perspectives). Drawing upon these perspectives, various factors were identified to explain the degree of HRM practices' transferability. These factors can be related to macro-environmental level aspects (e.g. host and home country effects), organizational level aspects (ownership patterns, location, size), and factors pertaining to the MNC subsidiaries (e.g. backgrounds of HR managers and levels of dependency). This section will begin by explaining the role in HRM of institutional theory, being one of the most widely used perspectives, and its relevance for this study. This will be followed by a critical view of previous studies by focusing on their theoretical perspectives, research methods and findings. This will be followed by the identification of the gaps found in the literature on IHRM in IJVs.

#### ***2.4.1 The Institutional Perspective to HRM***

The roots of institutional theory can be traced back to the late 19<sup>th</sup> century, when little attention was paid to an organization's environment, as the focus was mainly on institutional structures (for a broad historical and analytical overview, see Scott, 2008:1-46). In the second half of the 20<sup>th</sup> century, more precisely in the 1970s, institutional theorists began to focus on the analysis of the social environment of organizations, based on their structures and behaviours (e.g. DiMaggio & Powell, 1983; Meyer & Rowan, 1977).



The key topic of 'neo-institutionalism' is why organizations within the same sector become homogenous and adapt to their local institutional environments (e.g. in their structure and management practices). According to DiMaggio and Powell (1983:148):

“We ask, instead, why there is such startling homogeneity of organizational forms and practices; and we seek to explain homogeneity, not variation. In the initial stages of their life cycle, organizational fields display considerable diversity in approach and form. Once a field becomes well established, however, there is an inexorable push towards homogenization.”

The authors noted that there are various powerful forces within society that lead organizations to become more similar to each other as they are assumed to seek legitimacy and recognition. From an institutional perspective, legitimacy was defined by Scott (1995: p.45) as “not a commodity to be possessed or exchanged, but a condition reflecting cultural alignment, normative support, or consonance with relevant rules laws”. Organizations strive for legitimacy by adopting structures and practices that are assumed and/or expected to be accepted in their environments. In other words, organizations are under pressure to gradually conform to other organizations to achieve consistency with their organizational 'isomorphic' field. Organizational fields represent the level of analysis from a neo-institutional perspective. Organizational fields are formed by organizations that collectively “constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organizations that produce similar services and products” (DiMaggio & Powell, 1983: p. 148) “that partake of a common meaning system and whose participants interact more frequently and faithfully with one another than with others outside the field” (Scott, 1995, p. 56). Isomorphism, on the other hand, is the process by which an organization resembles other organizations that are faced with the same environmental conditions (DiMaggio & Powell, 1983). In response to this, DiMaggio & Powell (1983) identified three mechanisms by which such isomorphic changes occur. The first is coercive isomorphism, which

can be formal or informal and occurs when a powerful actor imposes specific patterns on an organization. The second is mimetic isomorphism, either direct or indirect, by which organizations in situations of uncertainty imitate the practices of other organizations that they perceive to be successful. The third is normative isomorphism, through which organizations are influenced by professional organizations that are disseminating appropriate organizational patterns in the field. Thus, by means of these isomorphism mechanisms, organizations attain legitimacy within their organizational fields and environments and increase their chances of survival and success.

The 'neo-institutionalism' approach is a well-developed field that has emerged and has been widely used in the field of IHRM to study the adoption and transfer of organizational practices among organizations. Studies in this strand draw on theory to develop factors that may explain variations in the degrees of standardization and/or localization of HRM practices across MNCs in host countries. The main argument is that JVs are seen to be under the institutional pressure of both their parent organizations and their local environments (e.g. Westney, 1993; Bjorkman & Lu, 2001, Hannon *et al.*, 1995). While foreign partners may attempt to introduce their corporate HRM and accepted practices in their international operations through organizational actors (thus exerting coercive isomorphism), local organizations tend to resemble each other due to various reasons, such as labour laws and regulations, local managers and views of board members that are likely to appreciate particular HRM practices, or local professional norms regarding good practices among organizations (e.g. Bjorkman *et al.*, 2008). Under these conditions, JV organizations are likely to confront less institutional pressure compared to local ones, resulting in differences in their delivery of HRM practices.

#### ***2.4.2 Review of the existing research of HRM in IJVs***

Some of the most relevant studies on HRM practices in IJVs were carried out by Lu and Bjorkman (1997, 1999, 2001) and Gamble (2003) in China, and Namazie (2003) in Iran. To examine the standardization versus localization of HRM practices and the factors that determine the degree of MNC standardization, Lu and Bjorkman (1997) adopted quantitative analysis coupled with the qualitative data on 65 Chinese-Western manufacturing JVs in China. The main hypotheses of the study were derived from the institutional perspective and resource dependency theory. The authors used the term ‘compatibility’ to describe the choices which MNCs need to make in standardizing versus localizing their HRM practices across different settings and cultures. The data for the research were collected from managers who were asked to estimate the extent and effect of localization and standardization. The findings of the study showed that HRM practices closely related to the technical aspects (e.g. recruitment/training) are likely to be more compatible compared to those of which are influenced by socio-cultural differences (e.g. promotion and performance appraisal). In addition, the results also confirmed the hypothesis that different HRM practices are subject to different levels of transfer. Furthermore, factors deriving from resource dependency (from both financial and non-financial resources) appear to play an active role in protecting the MNCs’ investment from localization, especially practices such as promotion, performance appraisal, and financial compensation. Moreover, variables deriving from institutional theory, such as the mode of establishment, number of expatriates and number of MNC business units in China, were found to be significant predictors only for recruitment and training aspects. The authors claimed that their findings were consistent with the interview data and suggested that practices were standardized when they were fully controlled by the MNCs and when local practices were not perceived to be sources of competitive advantage in the local market.

Similarly, Bjorkman and Lu (1999) carried out a qualitative study to compare various HRM practices in 65 Chinese-Western, Western and State-owned enterprise (SOEs) in China. The HRM practices examined in the study included recruitment and selection (method and criteria), training and development (amounts and contents), performance appraisal (method and criteria), promotion and compensation (criteria and importance). The results indicate variation in the extent of standardization and localization of HRM practices. More precisely, the promotion, selection and performance appraisal criteria and method are similar to those of Western MNCs, whereas recruitment and financial rewards are more localized. The authors attributed the findings to various factors, such as the interaction of business executives who were involved in different kinds of social and professional networks in China as a vehicle for spreading efficient HRM practices, the dominant control of MNCs in most of the IJVs, and the IJVs' willingness to introduce at least some of their international HRM practices. Table 2.1 below summarizes the results.

<b>Practice</b>	<b>Findings</b>
Recruitment and selection	<ul style="list-style-type: none"> <li>- Highly compatible, being based on similar technical constituents such as sources of recruitment and selection criteria</li> <li>- Selection methods had to consider cultural values and norms.</li> </ul>
Training	<ul style="list-style-type: none"> <li>- Training was developed specifically to fulfil IJV needs.</li> <li>- Based on both technical and basic training, such as English language lessons.</li> </ul>
Promotion	<ul style="list-style-type: none"> <li>- Criteria were standardized</li> </ul>
Appraisals	<ul style="list-style-type: none"> <li>- Appraisal schemes were standardized as the local partner did not carry out formal assessment and evaluation.</li> <li>- The design of the appraisal schemes had to take the local culture into consideration.</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>- Was more standardized</li> <li>- MNCs considered introducing a performance based bonus system</li> </ul>

**Table2.1: Summary of Lu and Bjorkman's (1997:1999) finding**

Bjorkman and Lu (2001) researched the extent to which the HRM practices of 63 Chinese-Western joint ventures operating in China resembled those of the local firms and/or those found in the foreign parent companies. The researchers adopted institutionalization theory coupled with a

bargaining power perspective to explain the degree to which the IJVs' HRM practices were similar to those found in the parent companies. The bargaining power perspective refers to the power wielded by each partner (Pfeffer & Salancik, 1978). The power held by the foreign partner (e.g. by controlling high equity or providing critical resources) was found to be more likely to exert coercive pressure on the IJV than that of the weak partner (e.g. Hannon et al., 1995; Yan & Gray, 1994; Namazie, 2003). The data were collected from local professional and managerial level employees. The findings showed that the IJVs' HRM practices resembled those of the foreign companies more than they did those of the local partners. The authors attributed these results to two reasons:

- the lack of strong local institutional pressure concerning personnel/HRM practices in China;
- the tendency of the Western executives' to adopt Western practices to maintain their competitive advantage in the local market.

The studies also highlighted several factors that support or prevent the transferability of HRM practices. The equity share and non-equity resources, along with factors consistent with institutional theory such as the mode of establishment, the nationality of the foreign partner, and the number of expatriates, appear to provide instrumental explanations and be determinants of the degree of HRM standardization. The researches' findings did not support the hypothesis that the backgrounds of the HR managers – whether recruited from within or outside the country – would affect the degree of HRM standardization.

In a similar context in a different country, Namazi (2003) undertook the qualitative analysis of ten case studies of IJVs operating in Iran. The aim of this research was to investigate the factors that enabled IJV organizations to follow MNC HRM practices (thus implementing standardization) or forced them to adapt to those of their local partners (localization). The factors were developed

from various theoretical perspectives, including bargaining power and socio-cultural perspectives. The study also examined the relevant factors at the organizational level. The overall findings, based on data collected from both expatriate and local managers, were to some extent in line with the previous work mentioned above, which concluded that different HRM practices are subject to different levels of standardization. For instance:

- Recruitment and selection procedures were more localized, as the local partner was more familiar with the local context. To counter the influence of factors such as nepotism and family relationships, many of the foreign partners started to become heavily involved in the procedure.
- Formal performance appraisal was more adherent to MNC standards, in consultation with the local partners.
- Remuneration strategies were (in terms of packages) more adherent to MNC standards, with MNCs taking into accounts the input of their local partners in the main HRM area of the local labour law requirements.
- Training and development was standardized in some of the IJVs, in particular at the managerial and technical staff levels, and used as a career development path for employees.

The findings indicate that several factors have an impact on the degree of transferability of HRM practices to IJVs in Iran. Among other factors at the national level, the authors found that the specific country of origin and related national culture distance did not have an effect of the degree of transferability of HRM practices. The findings also show that the percentage of ownership and control of critical resources played an important role in the standardization of HRM practices. These results are in line with those of the previous research noted above (e.g. Bjorkman & Lu, 2001). At the micro level, the results indicate that management style compatibility between

partners is significant to the transferability of HRM practices and policies. The more compatible the management styles, the smoother the progress of the joint venture and the more unified its HRM practices.

Braun and Warner (2002) conducted a case study analysis of 12 MNCs in which they investigated in great depth a wide range of ownership forms and their influence on the strategic importance of HRM and various individual HRM practices. Their sample was drawn from five major industry sectors (petrochemicals, pharmaceuticals, electric equipment, fast-moving consumer goods and heavy industry equipment) that could apply global strategies and HRM practices. The data were collected by means of in-depth interviews with the HRM directors responsible for the Chinese side of the operations. Overall, the findings indicate that most companies participating in the study considered HRM practices to be a strategic function. The authors argued that this reflects the significant level of involvement of the foreign partners in the HRM function. The results also emphasise the considerable importance of ownership equity in protecting foreign investment from the local pressure towards localizing HRM practices. In addition, the results also indicated that in cases in which they held minority equity (less than 50%), the foreign partners exerted their influence through informal means such as contract agreements and using HRM as a non-equity resource.

Myloni, Harzing, and Mirza (2004) conducted a survey of MNC subsidiaries located in Greece and of local Greek firms. The study investigated the institutional and cultural factors that influence the degree to which IJV HRM practices resemble those found in the local environment. The data were collected from corporate HR managers and from their equivalents in both the subsidiaries operating in Greece and in the local firms. Overall, the survey revealed that some practices features (e.g. recruitment and selection procedures) are more localized and affected by the strong influence of institutional and cultural factors, whereas others (e.g. performance appraisal) are

more standardized and show high levels of conformity to MNC practices. In performance appraisal, the results show that, unlike local firms, MNC subsidiaries provided written performance appraisal reports based upon, among other things, personal interviews with supervisors; thus, performance appraisal was objective and not subject to personal influence. The results are in line with some of the previous studies mentioned above (e.g. Lu & Bjorkman, 1997; Namazie, 2003). The authors concluded that 'due to cultural and institutional forces, HRM practices in MNC subsidiaries located in Greece resemble local norms to some extent, and that different HRM practices are subject to different degrees of transfer' (p.528). In addition, by cross-tabulating control variables with cultural and institutional interactions, they found that firms that differ in the industry sectors to which they belong, in the length of time they have been in business, and in their size show different levels of localization. For instance, the banking industry has more localised HRM practices because of strong trade unions. The older the MNC subsidiaries, the more their practices are localised and, lastly, the larger the MNC subsidiaries are, the greater the likelihood of their having adopted localized HRM practices. This is because larger firms, having a high visibility, adhere to socially accepted HRM practices to maintain legitimacy in their local environment (Gooderham *et al.*, 1999).

Yet, with certain notable exceptions, few efforts have been made to investigate the employees' opinions on the transferability of HRM practices in IJVs rather than focusing purely on the views of the managerial staff. Gamble (2003, 2006) and Huang and Gamble (2011) were once of the few existing studies that based on employees perspective. Gamble (2003) carried out a qualitative study to examine the extent to which the HRM practices of the parent firm (a UK retail store) had been actually transferred to its Chinese subsidiary stores. A wide-range of perspectives was adopted to explain transferability, such as the country of origin and the institutional and cultural features of the host country environment. The HRM practices examined in the study included communication with the workforce, work patterns, workforce age compositions, reward systems,



training, and employee representatives. The overall findings indicate that most HRM practices adopted in the Chinese stores largely adhered to those of the parent company (e.g. reward system, training), although there were hybrid elements in some of the practices, which corresponded to the influence of institutional norms and expectations (e.g. communication with workforce). The results also show that institutional, cultural and firm-specific factors were the most relevant features in explaining the transferability of HRM practices, whereas cultural distance did not represent an obstacle to it. Lastly, the paper highlights the critical role played by expatriates as an important instrument for the transfer of both the explicit and tacit knowledge of company practices and management approaches through their communication. It also highlights the importance of these expatriates in maintaining appropriate technical and personal skills as well as cross-cultural suitability.

In a more recent study, Huang and Gamble (2011) assessed the influence of informal institutions in view of the constraints imposed upon the degree of employee participation in China by the local social norm of respect for authority, and their reflection on employee satisfaction in foreign-invested (FIEs) and state-owned retailers (SOEs). The data were gathered from questionnaires completed by almost 1,900 employees at 22 FIE and SOE retail stores in nine Chinese cities. The results show that the employees of the FIEs reported a higher level of employee participation and satisfaction than did those of the SOEs. The researchers concluded that the differences between FIEs and SOEs were not simply casual and straight forward but were closely linked to social institutional factors such as the hierarchical structure and the social norm of respect for authority. For example, the norm of respect for authority had a stronger impact on the implementation of participative practices in SOEs than in FIEs. However, although these studies, as far as this researcher is aware, are some of the few that have examined the employee experience of transferred HRM practices, we still cannot draw inferences on the individual employees'

perception of their effectiveness and of how these practices were implemented throughout their organizations.

At the macro-environmental level, the influence of ownership patterns on HRM practices was also investigated by comparing management practices between IJVs and stated-owned enterprises (SOEs) in the Chinese context. The central argument was that, while foreign-owned firms have an advantage on local firms in terms of having to deal with fewer institutional constraints on HRM practices and of enjoying the freedom of hiring employees from the international market. By contrast, SOEs still operate as government agencies and lack experience in executing these practices (e.g. Law, Tse, & Zhou, 2003; Buck, Filatotchev, Demina, & Wright, 2003). As stated by Warner (2004), while traditional HRM has continued to be the norm in SOEs, in IJVs and wholly owned foreign enterprises it has experienced substantial changes. The existing evidence confirms that there is a significant difference in HRM practices between IJVs and SOEs, with IJVs having the edge over SOEs and adopting more market-oriented HRM functions (e.g. Ding & Akhtar, 2001). Based on a questionnaire survey of general managers and human resource directors from 326 IJVs and SOEs, the authors examined the effect of ownership on the choice of HRM practices. The findings indicate that, compared to SOEs, IJV HRM practices and strategic business planning were found to be considerably more aimed at developing their human capital. Similarly, Law *et al.* (2003) found that the strategic role of the HRM department was more positively related to the firm's financial performance in IJVs than it was in SOEs; they argued that SOEs recognize the key role of HRM practices but experience issues in executing them, which deters them from capitalizing on the benefits of such practices.

Björkman, Budhwar, Smale and Sumelius (2008) carried out a comparative study of the HRM practices of MNC subsidiaries located in the two emerging markets of China and India. The authors aimed at providing both an intersection contribution in IHRM and a cross border

comparison. IHRM focusses on the HRM practices in MNCs and the comparison focusses on examining contrasting HRM across countries and geographical regions (e.g. Brewster, Sparrow, & Vernon, 2007) by investigating the nature of HRM in these countries and how it can be explained. They developed various hypotheses that derived from institutional theory and adopted a mixed methodology approach made up of a questionnaire survey filled in through direct visits to and in-depth interviews with HR and general managers. The overall results indicate that the locations of the MNC subsidiaries play a more critical role in localizing HRM practices in India than they do in China, and that a higher number of expatriates results in HRM practices that are more similar to those of the MNC parent companies. Furthermore, the backgrounds of the HR managers, in terms of the area from where they are recruited (MNC headquarters or local subsidiaries), are more likely to influence the degree of localization of HRM practices and was found to be an important factor in explaining the variation in HRM practices and in the HRM department's roles. The authors explained this result from an institutional perspective – arguing that HR managers are likely to refer to their past experience and are not generally in favour of supporting unfamiliar practices and roles – and from a competency point view – in which HR managers recruited from MNC headquarters are more likely to be competent and, consequently, more capable to play a strategic role.

The effect of corporate-level organizational factors on transferring HRM practices was examined by Myloni, Harzing, and Mirza (2007) through the lens of a resource-based view and resource-dependency theories. The data for their study were collected from HR managers in 80 European and US MNCs with subsidiaries in Greece. The overall results of their study indicate that a considerable transfer of HRM practices took place from the parent companies to their subsidiaries in Greece and that different HRM practices (e.g. performance appraisal and training practices) were subject to different levels of local adaption. In addition, the findings also indicate that factors at the organizational level have a significant effect on the transferability of HRM practices, with

the MNCs' top management and their international experience allocating considerable importance to HRM practices, along with international competitive advantage, informal control (through frequent communication between parent and subsidiary firms exercised by means of socialization and networking), and number of expatriates. In addition, their results also show that different factors exert different levels of influence over individual practices. For instance, the MNCs' international experience has a noticeable effect on selection and training, while seeming to have a lesser one on performance appraisal.

Drawing on the discussion, it can be seen that the common theme in the most previous studies on IRHM and IJVs involves first the examination of the extent to which HRM practices of MNC subsidiaries in host countries resemble those of their parent companies and, secondly, the investigation of the factors that determine the degree of MNC standardization. In addition, with the exception of Gamble (2003), among others, most studies were mainly based on managerial views (i.e. those of HR managers). Managers in IJVs were asked to estimate the extent of the differences and similarities between the HRM practices of local firms and those of MNCs within the unit of analysis, and between the HRM practices of MNC subsidiaries and those of local firms. Moreover, most of the researches were conducted in China, with a few attempts made in other countries, such as Iran and Greece. The overall results indicate that most IJV HRM practices are likely to be standardized and follow those of the MNC headquarters. In addition, foreign partners can influence HRM practices in various ways; directly, through the possession of higher equity shares, and indirectly, through the control of critical resources and informal meetings. Furthermore, factors such as the country of origin of the parent MNC and the related cultural distance do not affect the transferability of HRM practices to MNC subsidiaries. Prior research also illustrates that the institutional features of the host countries have some degree of influence on the transferability of HRM practices and HR personnel to the MNC subsidiaries. Therefore, it can be argued that IJVs in Saudi Arabia are more likely to standardize HRM practices than they

are to respond to the pressures of the local environment. As a result, there will be variations between IJVs and local firms, as the latter are embedded in the local environment and both their HRM and management styles are influenced by it. However, while these few studies examining HRM in IJVs provide interesting findings, there are a number of limitations that need to be addressed. These limitations will be looked at closely in the next section.

## **2.5 Gaps in the Literature of HRM in IJVs**

As can be noted from the previous studies, there is clear evidence that HRM practices in host country subsidiaries tend to adhere to the standards of those of the parent company. However, even if HRM practices are genuinely transferred, the studies do not tell us whether these practices have been evaluated by the subsidiary's personnel and in which manner they are implemented. More precisely, it can be argued that the previous studies have suffered from theoretical and methodological limitations. From a methodological perspective, the choice of respondents seems to be a problematic and may have provided inaccurate and biased results. The prior research was mainly focussed on the managerial level, overlooking the opinions of the employees at the receiving end. In addition, the data tended to be collected from a single-respondents acting as key informant for HRM practices in MNC subsidiaries (e.g. Lu & Björkman, 1997; Björkman & Lu, 2001). Managers in MNC subsidiaries were asked to estimate the extent of the similarities or differences in HRM practices between their local firms and the MNC headquarters. However, the studies justified referring to the managerial level in two ways. Firstly, collecting data across different organizational levels can be difficult. Secondly, HRM practices in MNC subsidiaries are more likely to be localized in the lower hierarchical levels (e.g. Lu & Björkman, 1997; Myloni *et al.*, 2007). Therefore, there was no evidence of how the employees of MNC subsidiaries evaluate parent firm HRM practices as no data were collected from them. Thus, we can conclude very little about how employees experience and perceive HRM effectiveness outcomes. Neither can we

understand how these practices are operationalized in host country subsidiaries. In his case study of a British retailer in China, Gamble (2003, 2006) found that various HRM practices (e.g. promotion prospects, compensation) were transferred relatively unmodified to the Chinese MNC subsidiaries. Unlike most studies of HRM in IJVS, Gamble's (2003) findings show that the employees had experienced the new transferred HRM practices at the lower hierarchical levels. Therefore, as HRM practices can be experienced at all the organizational levels, the data should also be collected from all levels in and from the employees' point of view in particular. Furthermore, relying only on the managers from these firms can be problematic as, compared to their employees, they might overestimate the degree of adoption of management practices (e.g. Liao *et al.*, 2009; Edgar & Geare, 2005). Similarly, should the respondents be expatriate managers, the assumption of HRM practices being likely to resemble those of the parent company would be stronger than it would if the respondents were local managers. In addition, more recent studies on HRM performance differentiate between intended and implemented HRM practices. While the former relate to the top management's decision to adopt certain practices, the latter refer to what is actually being experienced by the employees (Khilji & Wang, 2006; see also Truss, 2001; Legge, 1995; Purcell & Hutchinson, 2007 on the difference between the rhetoric of HR as expressed by the HRM department and its reality as experienced by the employees). In this strand, Wright and Nishii (2007), in their contribution in SHRM literature, also differentiated between intended, actual and perceived HRM practices. Intended refers to the practices as they are designed by the top management to be applied to all employees, actual refers to the way in which they are applied in reality, and perceived focusses on how employees experience and judge the applied practices. Therefore, in examining HRM practices in MNC subsidiaries it is critical to incorporate the employees' experience of these practices and their perceptions of their effectiveness which were neglected in previous studies.

From a theoretical perspective, most previous studies discussed above were mainly preoccupied in explaining the resemblance between HRM practices in host country subsidiaries and parent company ones from various theoretical standpoints. The central question of these studies was to examine the factors that could explain such variations in the degree of standardization and/or localization of HRM practices across MNC subsidiaries in host countries. The factors examined arise from different levels, including the macro-environmental, organizational, and others within the unit of analysis. Moreover, as noted in the previous studies, different HRM practices are subject to different levels of standardisation, with some (e.g. performance appraisal, promotion prospect, compensation, selection) being more likely to be standardized (e.g. Namazie, 2003; Lu & Bjorkman, 1997). These findings suggest that there is a lack of strong local institutional pressures on regards to HRM practices. However, little is known about how HRM practices are implemented in MNC subsidiaries. In other words, the previous research did not explore how HRM practices are operationalized within MNC subsidiaries and who is involved in the implementation processes. The existing evidence acknowledges that the successful transfer of knowledge involves its transmission, absorption and use (Davenport & Prusak, 1998). Similarly, Kostova (1999) argued that MNC subsidiary managers may, deliberately or not, decide not to implement a particular practice while reporting otherwise. In monitoring transfer, the author distinguished between implementation and internalization. While implementation refers to the adoption of formal rules, internalization, on the other hand, refers to the employees in the recipient unit attaching symbolic meaning and value to the practices. In other words, this refers to the extent to which individual judge the practice to be valuable for the unit and commit to it (Kostova & Roth, 2002, p. 217). Thus, the examination of HRM practices in IJVs subsidiaries needs to be extended beyond the factors that determine the extent of their transferability by understanding in-depth which HRM practices are operationalized after the transferring takes place and how. One of the few studies examining the factors that influence the internalization of the HRM practices adopted in a subsidiary by its senior managers was conducted by Björkman, Ehrnrooth, Smale,

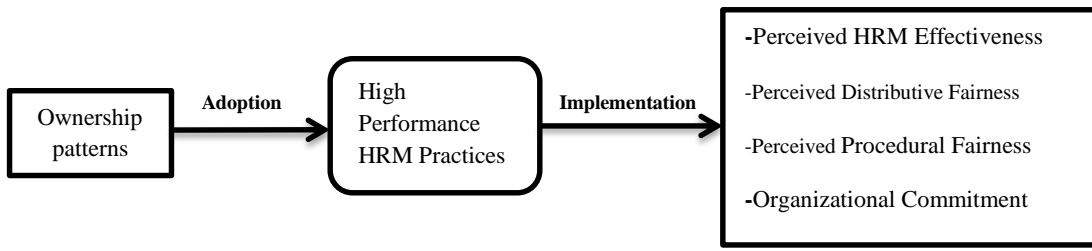
and John (2011). Carrying out a quantitative analysis on 123 subsidiaries, the researcher reported a positive relationship between HRM, the operational experience of HR managers and the level of the general managers' HRM internalization. The results also indicate that there is a negative relationship between the degree of experience of HR managers in the same position and their level of internalization of HRM practices, suggesting that HR managers should be rotated and/or replaced every so often. In addition, the results indicate that there is also a positive relation with the HRM department's perceived strategic HRM capabilities. This result indicates the considerable importance of exploring the implementation of HRM practices beyond their transferability.

Therefore, in attempting to remedy these limitations, this thesis investigates both the implementation and the employee perception and experience which have been neglected in previous studies. In doing so, it attempts to extend the above line of research by developing and testing a conceptual model that quantitatively examines the adoption and implementation of high performance HRM practices (further details below). In addition, this study will qualitatively explore the mechanisms/processes that contribute to the observed differences in HRM implementation and effectiveness in IJV as compared to local firms. The study focuses on firms operating in Saudi Arabia. Exploring new contexts with unique political and socio-economic characteristics provides new scope to the existing literature and to the in depth analysis of HRM practices across different settings (Lu & Bjorkman, 1997).



## 2.6 Conceptual Framework of this Study and hypotheses

The aim of this thesis is to extend IHRM in IJV literature by examining the adoption and implementation of high performance HRM practices, and to explore in-depth the mechanisms/processes leading to the observed differences in HRM implementation and effectiveness. As noted earlier, previous studies neglected the implementation and the employee experience and perception of HRM practices, which are therefore incorporated in this thesis. Figure 1 below illustrates the conceptual framework of this study.



**Fig. 1:** Impact of ownership patterns (IJV versus local) on the adoption and implementation effectiveness of HRM practices

This conceptual model allows a deeper understanding of the adoption and implementation of HRM practices in IJV subsidiaries, as compared to local firms, in Saudi Arabia. For the purpose of this thesis, by ‘adopted’ HRM practices I refer to the practices as they are agreed and formulated by the policy-makers (top management, HR managers, and line managers). The adoption of HRM practices can vary in terms of their effectiveness, resulting in variations in the way employees experience them throughout an organization. By ‘implementation’ I mean the operationalization of the practices throughout a firm: how they are operationalized, and how the employees experience and judge their effective outcomes. Furthermore, the implementation can have two effects: a positive employee perception of the various outcomes, including – in this research –

HRM effectiveness, a perception of fairness (distributive and procedural), and organizational commitment; and ineffectiveness, resulting in a reduced perception of the outcomes.

The model proposed in this thesis is in line with some of the more widely accepted and better-researched models from the strategic HRM literature (e.g. Wright & Nishii, 2004; Purcell, Kinnie, & Guest, 2007; Arthur & Boyles, 2007). In their work, the researchers highlighted the significant role played by the implementation process on employee perception of HRM practice effectiveness and its relation to overall organization performance. In other words, the existing research suggests that the differences between an organization's intended HRM practices and the employee experiences of HRM are essential to understand employee attitudes and behaviours and, ultimately, the relationship between HRM and performance (e.g. Sanders, Shipton & Gomes, 2014). As such, Wright and Nishii (2004) attempted to address some of the methodological concerns in the HR-performance relationship literature by looking inside the black box and focusing on the HR casual chain. In doing so, the authors introduced a five step model, moving from the intended, to the actual, and to the perceived HRM practices, followed by employee reactions (attitudinal and behavioural), and then by organization performance. This model was extended further by Purcell, Kinnie, and Guest (2007) to highlight the importance of implementation and what and who shapes employee perception of HRM practices, to unravel the mechanisms through which the HRM system influences performance. One of the early works in this strand of research was carried out by Bowen and Ostroff (2004), who argued against the one-sided focus on the content process (which deals with the practices that are adopted by a firm to achieve particular objectives), and in favour of heightened focus on the HRM process, in which HRM, as a system, can 'can contribute to organizational performance by motivating employees to adopt the desired attitudes and behaviours that, collectively, help to achieve an organization's strategic goals' (p.204). The process approach to HRM places an emphasis on the psychological processes through which the employees interpret, respond and attach meaning to the information

conveyed in HR practices by perceiving them as being distinctive (the event–effect is highly observable), consistent (the event–effect presents itself unchanged across modalities and time), and consensus (there is an agreement among the individual views of the event–effect relationship) (Bowen & Ostroff 2004). Of central importance to the employee shared understanding of HRM are the differences between intended and implemented, as the employees can be unaware of the practices in existence and/or are discouraged from participating in them by managers. Among other studies in this line of research, Piening, Baluch, and Ridder (2014) also examined the gap between intended, actually implemented, and perceived HRM practices. Drawing upon a multiple-case study of German health and service organizations, the authors provided support for the gap between intended and implemented HRM practices, while, at the same time, shedding light on their implementation and interpretation gaps, and on the various conditions and mechanisms that foster differences between intended and implemented HRM practices (e.g. effectively leveraging the existing resources and employee expectations with regard to HRM practices).

The research that sought to open up the HRM black box proposed several internal and external moderators that could play an essential role in the implementation stage of HRM practices. At the internal level, one of the key moderators in translating the intended HRM practices (i.e. those that senior managers design and intend to be applied) into the actual ones (i.e. those that are actually applied and experienced by employees) are the line managers. Although HRM is often viewed as being synonymous with the HR department, prior research has also highlighted the dominant role played by line managers in implementing HRM practices (e.g. Khilji & Wang, 2006; Truss, 2001; Purcell & Hutchinson, 2007; Piening, Baluch & Ridder, 2014). More precisely, prior studies have shown variation in employee perception of HRM practices within an organization due to the variation of the line managers' delivery of these practices, particularly to their own teams (e.g. Gunnigle *et al.*, 2006; Truss, 2001; Macky & Boxall, 2007; Gilbert *et al.*, 2011). The existing literature has shown that line managers can modify HRM practices as a result of their own

unwillingness or difficulty in enacting a whole range of HRM policies (e.g. Whittaker & Marchington, 2003; Guest, 2011). In addition, the role played by line managers in terms of their leadership behaviour was also observed to be an important factor associated with organizational commitment and work satisfaction, among other attitudinal factors such as loyalty to the consumer (Guest & Conway, 2004). As a result, the managers' differing interpretations of and priorities given to HRM can affect the degree to which the employees within an organization share a common sense of which behaviours are expected and rewarded (Bowen & Ostroff, 2004).

Along with the influence of institutional aspects as external moderator factors, the successful implementation of HRM practices can also be influenced by individual attitudes and cultural norms. One of the landmark studies in this strand of research was published by Hofstede (1980). The author provided foundation for a research that explored and viewed the relationship between national culture – viewed as a key factor in organizational processes – and management practices. Hofstede identified five cultural dimensions, including power distance, individualism-collectivism, masculinity-femininity, uncertainty avoidance, and, in later research, short-versus long term orientation (Hofstede, 2001). A whole raft of research has explored the transferability of HRM practices and their relation to national culture (e.g. Namazie, 2001; Myloni et al., 2004). It has shown that HRM practices are based on cultural beliefs that reflect the basic assumptions and values of the national culture in which organizations are embedded, which, in turn, can influence the employee perception of those practices. More precisely, the research has shown that, in their international operation and to a certain degree, MNCs adapt their HRM practices to the national cultures of their host countries, and that the influence of those cultures on HRM practices varies based on the HRM practices themselves. As such, in their study of the HRM practices of a sample of multinational companies in Greece, Myloni et al. (2004) found that recruitment and selection are culturally bound and more localized because of the high level of family/in-group orientation of the Greek culture, which leads to showing a preference to employ people that are

already known and basing selection on less objective criteria (see also Namazie, 2001, in Iran). This high level of family/in-group orientation and the power distance found in Greek society also influence performance appraisal management, resulting in more subjective criteria. In line with these findings, Aycan (2005) found that, in individualist cultures, the emphasis is placed on selection criteria that are predictive of future job performance, whereas, in collectivist societies, high power distance, relationships and networks are fundamental in the selection process. In a similar vein, in the case of performance management, while individualistic cultures tend to focus on objective and quantifiable measures, collectivist ones are more likely to emphasize group harmony and relationships. This can also affect the type of performance evaluation and the way in which performance feedback is given. In addition, the research that also sought to understand the role played by local cultures on HRM processes found that there is some variation across different countries; e.g., consistency appears to be more effective in the Netherlands than in China (e.g. Sanders et al., 2008; Li et al., 2011). Furthermore, the influence of cultural heritage appears to be critical in the Arab world (as will be explained in further detail in chapter 3) where it has been argued to be heavily influenced by a combination of non-Islamic traditional and national cultural values (e.g. Mellahi & Budhwar, 2010; Tayeb, 2005). This not only creates a classic mismatch between global integration and local responsiveness to HRM practices but can also influence employee perception of those practices and the ways in which they are implemented.

Drawing from the discussion in the previous sections, it seems reasonable to assume that there will be variations between JVs and local firms in the adoption and implementation of HRM practices. Compared to local firms, JV ones may succeed in implementing HRM practices more effectively due to their facility in accomplishing internal learning by various means, such as the on-site presence of expatriates, the direct links that exist between the local HRM department and that of the parent company, and the international experience of the parent company in the implementation of HRM practices in different countries (e.g. Bjorkman et al., 2011). This may

result in the employees of joint venture firms being more likely than those of local ones to positively experience HRM practices and perceive their effective outcomes. The following sections explain the variables in the model in detail.

### ***2.6.1 Employee Experience of High Performance HRM Practices***

Employee experience and perception are measured by high performance HRM practices. The recent literature on SHRM, with the support of a high performance approach or a high performance work system, identified the characteristics of those optimal HRM systems that promote a sustainable competitive advantage and positively enhance the internal social structure to improve employee communication and cooperation. These systems incorporate HRM activities designed to provide employees with superior skills, abilities and development to achieve the organizational goals (e.g. Wood & Wall, 2002; Delery & Shaw, 2001; Evans & Davis, 2005). Among others, Wright and Boswell (2002) argued that there is an emerging consensus on the nature of high performance work system constructs. The authors identified three broad conceptual categories, including employee skills (which emphasize the HR activities related to employee attraction and development), motivation (which emphasizes highly motivational HR practices, such as performance appraisal and compensation), and empowerment (which refers to HR practices related to employee formal participation and information sharing). Based on their meta-analysis, Combs, Hall, and Ketchen (2006) provided empirical support for such conceptualized HR activities. Therefore, in this thesis, the terms ‘high performance HRM practices’ and ‘high performance work systems’ (HPWS) will be used interchangeably. In addition, I will also follow a similar structure of HPWS and define this system as the integrated HR activities commonly used both in HRM and in the IHRM literature. These practices include recruitment and selection, training and development, performance appraisal, promotion prospects, compensation, channels of communication, and employee participation.

It can be argued that the employee HRM experience falls between what the top management decides to deliver in terms of HRM practices throughout an organization (adoption) and the perception that is created after these experiences are accrued (implementation). To begin with, the existing research has shown that there is significant difference between what the management intended to apply in terms of HRM practices, and the experience of the same, as reported by the employees. Intended HRM practices are defined as those practices that are developed by HR policy-makers to encourage employee attitudes and behaviours that contribute to a firm's strategy. Once these practices are enacted, however, and as a result of political, institutional, and practical considerations, they may be carried out differently from how they were intended to be (e.g. Wright & Nishii, 2007). One of the pioneering studies in this strand was conducted by Khilji and Wang (2006). They took a quantitative and qualitative research approach and collected data from 195 interviews and 508 questionnaire responses, along with several documents. They found that the implemented HRM practices differed substantially from the intended ones, and that their consistent implementation increased employee satisfaction. Laio, Toya and Hong (2009) empirically confirmed this. The latter's results, based on data collected from various stakeholders, including 292 managers, 830 employees and 1,772 customers of 91 bank branches, indicated that there was a significant difference between what "the management says they are implementing" and "what employees report they are experiencing in terms of HPWS practices". They argued that their findings supported previous studies that pointed to the existence of inconsistencies between the rhetoric and the reality of HRM, and therefore confirmed the initial stance of significant differences existing between intended and implemented HR practices (e.g. Legge, 1995; Truss, 2001). In addition, Wright and Nishii's (2007) model proposed that HRM practices influence employee attitudes and behaviours through the latter's perceptions. They suggested that the extent of each employee's experience of (objective) HRM practices affects his or her (subjective) perceptions and interpretations. They also proposed that the differences between actual and

perceived can be observed through the variations of the actual HRM practices offered to the employees (which cause valid variance), as a response to the individual perceptions and interpretations of said actual practices. In other words, the employee perceptions of these practices will be formed in response to previous experiences. These perceptions then influence the way in which the individuals behave, think or feel (Wright & Nishii, 2007; Purcell & Kinnie, 2010).

The existing literature indicates that, although IJV and local firms operate in a similar external environment (e.g. cultural and institutional) at the macro level, there are micro level variations in IJV HRM practices, in comparison to those of local firms. Accordingly, in this study, I argue that the employee experience of high performance HRM practices is likely to vary between the two sets of organizations (local and IJV) due to the variations in the ways in which they are delivered. If the practices are adopted effectively, employees are more likely to experience their presence and vice versa. In other words, and drawing from the previous discussions, it can be argued that IJV firms are more likely to adopt and effectively implement high performance HRM practices, resulting in employee experiences and perceptions that are more positive than those found in local firms. Therefore, I formulate the following hypothesis:

*H1* The employee experience of HRM practices linked to their effective implementation will be significantly higher in IJVs than in local firms operating in Saudi Arabia.

### ***2.6.2 Employee Perceived HRM Effectiveness***

The existing literature highlights that, in order to understand the full potential of HRM, it is necessary to determine how employees perceive HRM practices and systems (e.g. Guest, 1999). According to Guest and Conway (2011), effective HRM practices are made up of three components: their existence, effective implementation, and observed effectiveness. Furthermore,



Guest and Peccei (1994) suggested that HR effectiveness can be defined in different ways, which include, among others, the stakeholders' (e.g. employees') judgement of their effectiveness (political perspective). Relatedly, a recent HRM research defined employee perceptions of HRM practices as "how employees evaluate the effects of those practices on their job accomplishments" (Choi & Lee, 2013, p. 578). Employee attitudes and behaviours, as noted above, are the responses to an HRM system that is dependent on their perception of HRM practices in their work context (Bowen & Ostroff, 2004). Nishi and Wright (2008) argued that employee experiences and interpretations of the objective HRM practices to which they and their colleagues are subject are more likely to vary from one to another. This reflects the variance of the employee perceptions of HRM practices. This suggests that the employee perception of a given HRM practice follows its implementation. In addition, a number of studies, which were carried out to examine the effect of employee perception of HRM practices on employee attitudes and behaviours, pointed at the significant role played by effective implementation. Gaertner and Nollen (1989) examined the various HRM practices of manufacturing firms, including internal promotion, employment security, and training opportunities. Their results revealed that there is a significant positive relation between actual and perceived HRM practices and employee commitment. In examining the effectiveness of a single HRM practice, Sahinidis and Bouris (2008) found a significant positive correlation between employee perceived training effectiveness and employee commitment, job satisfaction, and motivation. Similarly, from a sample of 412 employees, Boon, Den Hartog, Boselie, and Paauwe (2011) found that employee perception of high performance HRM practices was strongly related to employee attitudes (e.g. commitment or intention to leave) and feelings of fitting in the organization and job. Lastly, the employee perception of HRM practice effectiveness appears to be a strong positive moderator. In this perspective, Choi and Lee (2013) found that the moderating effect exerted by the employee perception of a set of high performance work system practices reflected the relationship between high performance work system, firm performance and job satisfaction. They argued that the administration of HRM

practices influences the employees' evaluation of their workplace environment; thereby an effective administration of HRM reflects more positively on the examined outcomes than an ineffective one. The results revealed that the relationship was positively stronger when the employees perceived the effectiveness of HRM practices.

Therefore, HR scholars propose a strong association between employee perceptions and their related outcomes, emphasizing the importance of the employees' perceived high performance effectiveness as an outcome of an effective implementation (e.g. Guest and Conway, 2011). On the basis of these and of previous arguments, I argue that employees of IJV firms, as compared to those of local organizations, are more likely to perceive effective high performance HRM practices as a result of their effective implementation. Therefore, I formulate the following hypothesis:

*H2* Employee experience of HRM practices, related to their effective implementation, is more positively related to employee perception of their effectiveness in IJVs than it is in local firms operating in Saudi Arabia.

### ***2.6.3 Employee perceived Fairness***

As mentioned earlier, Bowen and Ostroff (2004) stressed the role played by consensus among employees in delineating their concept of a 'strong' HRM system, arguing that it is more likely to lead to high performance. Among the other factors that "help to foster consensus among employees and influence whether individuals perceive the same effect with respect to the entity or situation in question" is the fairness of the HRM system (p. 212). Employee perception of HRM practices, as noted above, is a response to the individual experience and evaluation of those practices that are applied to them. One way to perceive and judge the actual HRM practices

applied to organizations is through the lens of fairness and organizational justice (e.g. Purcell & Kinnie, 2010). A perception of justice is a sign that the employees feel that their interests are protected, which provides an indicator when they compare themselves to others, and provides a message to the organization about the morality of its decisions (Cropanzano, Rupp, Mohler, & Schminke, 2001). Therefore, organizational justice can be defined as fairness in the workplace (Byrne & Cropanzano, 2001). Similarly, Greenberg (1990) identified the term ‘organizational justice’ as the consideration of fairness at work. Prior research on organizational justice highlighted two prevalent forms of it – distributive and procedural (e.g. Folger & Konovsky, 1989; Greenberg, 1990) – which will be examined in this research. Distributive organisational justice is defined as the employees’ perception of the fairness of the compensation – e.g. salaries and bonuses – that each of them receives. Procedural organisational justice refers to the individual employee perception of the fairness of the process carried out to determine such compensation, for example in reaching a decision regarding a promotion.

Bowen and Ostroff (2004) argued that the relationship between HRM practices and fairness involves the employees’ understanding of what HRM policies are and of the way they should be utilized. The outcome of distributive justice, as an example, can be perceived based on criteria of equality and equity. While the former places an emphasis on equal distribution to all, the latter relates to the variations in the individual amounts based on relevant differences, as in a meritocratic pay system (Bowen & Ostroff, 2004). In procedural justice, the extent of employee involvement in a process is found to be a positive enhancement of the employee perception of its fairness (Greenberg, 1990). Accordingly, “procedural justice can be enhanced by giving employees a voice in determining the methods by which outcome decisions are reached, for example, involving employees in designing behaviour- or outcome-based performance appraisal” (Bowen & Ostroff, 2004:213). However, the extant research shows that the distributive and procedural forms of organisational justice have to be measured separately. In this perspective,

Greenberg (1990) provided an overview of the various studies that support this, based on distinct measures of distributive and procedural justice that are statistically independent. The author also indicated that employees perceive them as separate independent variables. These forms of organizational justice in HRM have been argued to have different effects; distributive justice being more related to outcomes – such as satisfaction of payment – whereas procedural justice is more related to aspects such as trust and commitment (Folger & Konovsky, 1989; McFarlin & Sweeney, 1992; Greenberg, 1990).

Some HRM scholars emphasized the considerable importance of fairness in the implementation and delivery of HRM practices into an organization (e.g. Den Hartog et al., 2004). It has been argued that employees are more likely to perceive HRM practice outcomes to be fair when the process of such practice is perceived to be fair (Folger & Konovsky, 1989). Similarly, McFarlin and Sweeney (1992) stated that positive attitudes or outcomes can be elicited when employees perceive the process to be fair despite having a low perception of the related distributive justice. Existing research shows that there is a positive relation between organizational justice and employee attitudes (e.g. Cohen-Charash & Spector, 2001). For example, Farndale, Hope-Hailey and Kelliher (2011) found a significant positive link between employee experiences of high commitment performance management practices and employee perceptions of organizational justice. They also showed that a positive relationship exists between organizational justice and employee commitment and that organizational justice plays a mediatory role between employee experiences of high commitment performance management practices and commitment levels. Other studies draw upon social exchange theory to examine the mediating effect of organizational justice between HRM practices and individual attitudes (e.g. Chang, 2005; Kuvaas, 2008). In this perspective, Wu and Chaturvedi (2009), based on a sample of 1,383 employees across 23 firms from three countries, indicated that procedural justice fully mediates the relationship between HPWP and affective commitment, and partially mediates that with employee job satisfaction.

Similarly, Mayer and Smith (2000) found that there is no direct relationship between HRM practices and organizational commitment, but that such relationship is mediated by two other variables, including procedural justice.

Therefore, the overall review of the extant literature highlights the considerable importance of organizational justice on the employee perception of fairness. More precisely, it highlights the vital role played by carrying out HRM practices consistently in enhancing organizational justice and the employee perception of fairness. Thus, considering the existing evidence of HRM practices enhancing distributive and procedural justice, it seems reasonable to assume that these outcomes are a result of the effective implementation of HRM practices. In other words, conducting an effective implementation of HRM practices is more likely to enhance the employees' procedural and distributive perception of fairness than would their ineffective implementation. In line with previous discussions, compared to employees of local firms, it can be argued that employees of IJV firms are more likely to form a more positive perception of both types of fairness under investigation based upon an effective implementation of HRM practices. I therefore examine the following hypotheses:

*H3* Employee experience of HRM practices due to their effective enactment is more positively related to the employees' perception of distributive fairness in IJVs than it is in local firms operating in Saudi Arabia.

*H4* Employee experience of HRM practices due to their effective enactment is more positively related to employees' perception of procedural fairness in IJVs than it is in local firms operating in Saudi Arabia.

#### **2.6.4 Employee Perceived Organizational Commitment (*Affective commitment*)**

As noted above, recent extant research has acknowledged the considerable importance of HRM practices on employee attitudes and behaviours, suggesting that employee attitudinal and behavioural reactions are considerably influenced by how and why HRM is implemented throughout their organization (e.g. Nishii, Lepak, & Schneider, 2008). Rousseau and Greller (1994, p. 385) stated that “a person’s experience in an organization ... is shaped by personnel actions such as recruiting, appraising performance training, and benefit administration”. The literature on the exchange relationship that exists between employers and employees identifies two sorts of exchange, economic and social. Social exchange, which is more relevant to this study, is referred to by Blau (1964) as “favours that create diffused future obligations, not precisely specified ones, and the nature of the return cannot be bargained but must be left to the discretion of the one who makes it” (p. 93). In other words, individual employees are willing to participate in work relationships that they deem to be rewarding. In return for the favours or benefits they receive, it becomes binding for them that they also provide benefits in a benefit-exchange based relationship.

Prior research argues that high performance HRM practices provide a mutual investment that can build on this exchange relationship. Organizations invest in developing employee skills and encourage participation; this, in turn, results in employees responding in a positive manner, with their high qualifications and motivation, to invest back into the organization by working harder and becoming more committed to the organization in exchange (e.g. Huselid, 1995; Appelbaum et al., 2000; Tansky & Cohen, 2001). Accordingly, it has been argued that “HRM practices are viewed by employees as a ‘personalized’ commitment to them by the organization which is then reciprocated by the employees through their positive attitudes and behaviours” (Hannah & Iverson, 2004, p. 339). Allen and Meyer (1990) indicated that there are three dimensions of

organizational commitment: affective, normative and continuous. This thesis focuses on affective commitment, which emphasizes the employees' positive attachment and affection towards their organization (e.g. Allen & Meyer, 1990), as, from the employees' perspective, it is more likely to be the attitudinal consequence of a positive mutual exchange. In addition, employees with a high affective commitment tend to be proud of being part of the organization and strongly believe in its goals, objectives and values (e.g. Mowday et al., 1982; Cohen, 2003). It has been shown that the employees' work and organizational experiences influence their affective commitment (e.g. HRM practices; Meyer et al., 2002). Furthermore, affective commitment can be a response to employee perception of organizational care being about their welfare (Eisenberger, Fasolo & Davis-LaMastro, 1990). The existing literature shows that there is a positive relationship between employee perception of HRM practices and affective commitment (e.g. Chang, 2005; Zaleska & Menezes, 2007; Purcell & Hutchinson, 2007). A more recent empirical study by Wu and Chaturvedi (2009) hypothesized that there is a positive relationship between a high performance work system and affective commitment, and the results of their study confirmed their hypothesis. Similarly, Kehoe and Wright (2013) found a positive association between high performance HRM practices and affective commitment. They also noted that affective commitment is a positive mediator between high performance HR practices, organizational citizenship behaviours, and intentions to remain in an organization.

Therefore, it seems reasonable to assume that there is a positive relationship between the effective implementation of HRM practices and affective commitment. In other words, the effective implementation of HRM practices is more likely to enhance employee perceptions of affective commitment, resulting in employees reciprocating by being committed to their organization. The effective conducting and delivery of high performance HRM practices by various means (e.g. well-trained line managers) would result in an effective experience of these practices by employees. Drawing upon the previous discussion, I can argue that employees of IJV firms are

more likely to have a more positive perception of commitment compared to those of local firms.

I therefore formulate the following hypothesis:

*H5* Employee experience of HRM practices due to their effective implementation is more positively related to employees' affective commitment in IJVs than it is in local firms operating in Saudi Arabia.

## **2.7 Chapter Summary**

This chapter was divided into three sections. In the first, it presented an overview of MNCs and of the rapid growth of IJVs as vital type of strategic alliance. The aim of this section was to provide the background of IJVs as a channel for the transfer and dissemination of new resources, including HRM practices between partner firms, and of the complexity inherent in the management of this form of alliance. The second section presented a review of the existing literature of IHRM in IJVs. The aim of this section was to provide a context within which to place this PhD research study. The central questions posed in the literature is the degree to which the HRM practices of MNCs resemble those found in their foreign subsidiaries or to which they are adapted to the local environment, and what factors can explain and determine the degree of transferability of HRM practices. Various theoretical perspectives were adopted, including institutional and cultural theory, to explain such variations. The overall results indicate that HRM practices are more likely to be standardized to those of the MNC parent firms, rather than bow to local environmental pressures due to the small influence exerted by the institutional and cultural aspects of the subsidiary host country on HRM practices. However, these studies shed light, to some extent, on conceptual and methodological limitations which were discussed in detail. The aim of this study is to expand this strand of research by examining the adoption and implementation of HRM



practices in IJVs as compared to local firms. This will be done by examining employee experiences and perceptions of HRM practices (as discussed in the conceptual framework developed for this PhD research in the third part of this chapter) which had been neglected in the previous studies. Drawing upon the previous studies, it is reasonable to assume that IJV firms are more likely to adopt and implement high performance HRM practices more effectively than local firms, resulting in positive experiences and effective perception outcomes of HRM, fairness, and affective commitment. In addition, this PhD research explores the in-depth mechanisms/processes which leading to differences in HRM implementation and effectiveness in IJV and local firms.

The following chapter is going to set the scene for this PhD study by introducing the Saudi contextual background and the banking industry in which this study took place.

# **CHAPTER THREE**

## **OVERVIEW OF THE SAUDI CONTEXT AND BANKING INDUSTRY**

### **3.1 Introduction**

This chapter presents the background context of Kingdom of Saudi Arabia and the development of its banking sector. Saudi Arabia has undergone deep changes that transformed the Kingdom from the simplicity of its traditional life to one of the most important regions in the modern world. The discovery of oil was the main engine that drove these changes, which reflect on all aspects of the country, including the financial system. The main aim of this research is to examine the adoption and implementation of high performance HRM practices that experienced and were perceived its effective outcomes by employees among various ownership patterns (international joint venture versus local Saudi) in Saudi Arabia's banking industry. It is therefore very important to address the contextual background in which the research study took place. This encompasses a detailed discussion of Saudi Arabia's unique socio-political, economic and cultural backgrounds and their influence on its banking industry's management styles in general and on its HRM in particular.

The chapter is structured as follows. At the beginning, the Saudi context of this research study is highlighted and the unique characteristics of this country are detailed from a political and socio-economic point view. This is followed by the contextual relationship between the social and economic spheres and their influence upon HRM policies. At the end of the chapter, a review of the banking sector and its development and a brief discussion on the role of the Saudi Arabian Monetary Agency in the banking industry and HRM practices will be presented.

### **3.2 Overview of Saudi Arabia**

Saudi Arabia, officially known as The Kingdom of Saudi Arabia, is the largest country in the Gulf Cooperation Council and, in terms of its size, is one of the fifteen largest countries in the world, with an area of approximately 2.2 million square km. Geographically, Saudi Arabia is bordered by desert to the north (Jordan and Iraq) and water on the other three sides. Islam is the only recognized religion throughout the country and most Saudis are Muslims. The key sources of teachings are the Quran, which is considered by Muslims to be the verbatim word of God (Allah), and the Sunnah, which contains demonstrations and examples from the life of the Prophet Mohammad. Prior to the birth of Islam and the discovery of oil, the kingdom was at the centre of the caravan trade. With the birth of Islam in Mecca, the Kingdom came to play a major political and religious role in the area. Even when the capital of the Arab/Islamic empires was relocated first to Damascus and then to Baghdad, the Kingdom maintained its strategic importance because of the holy cities of Mecca and Medina. Today, Saudi Arabia has the largest known oil reserves, the discovery of which has modernised its lifestyle in terms of the facilities and infrastructure and, concurrently, has increased the consumption of luxury goods and services. The discovery of oil also lifted the country from its simple local strategic trading role to one of vital player in the stability of the global economy, as oil prices are strongly associated with the Kingdom's political and social stability (Mellahi, 2006; Ali, 2009).

Nowadays, Western lifestyles coexist with traditional ones in most of the Middle East, and in the Gulf countries in particular. The local inhabitants display a similar outlook and orientation as the vast majority are Muslim Arabs who live their lives based upon a mixture of Islamic beliefs from the Quran, prophetic teachings and Arab traditional values. Muna (1980) stated that the nationals of the Middle East countries have strong bonds of identity and commonality as they all share a similar language, religion and history. In addition, the Gulf countries share a similar system of

government which sees a ruling family holding absolute power, only being accountable to the senior members of the clan. In addition, businesspeople are linked to each other by means of formal or informal relations, such as kinship and marriage. Thus, to some extent, the Gulf States share a similar cultural setting. However, Saudi Arabia's unique characteristics, based upon its large size and its political and social dominance symbolise the nature of the region's business and economy (Ali, 2009). Accordingly, Ali indicated that, despite the "outstanding economic performance of the UAE in recent years, Saudi Arabia's role and prospect as the leading player in the region is not expected to diminish".

### **3.3 The Saudi Political Context**

In the political context, the Saudi Arabian government implements an Islamic monarchy system that dates back to 1932, from the reign of King *Ibn Saud*, and is based on the *Shariah* (sacred Islamic law). Since uniting the various parts of the peninsula, the Kingdom of Saudi Arabia has undergone various internal political changes (for further details, see Ali. 2009, p.10 to 14). Islam influences all aspects of life in the Kingdom, including the country's culture, law, politics and social fabric. The royal family dictates the political agenda and the king rules the country through a council of ministers. Further, the ministers have the liberty to develop rules and make decisions regarding their work by taking into consideration both Islamic principles and the country's laws (Altwajiry *et al.*, 2003). In addition, no political parties or trade unions are allowed in the Kingdom; the people make their voices, concerns and contributions on politics known through what is called the *Majlis Al-Shura* (Consultative Council). Although the king has the final authority to enact new laws or policies, its members may influence the king's decisions (Altwajiry *et al.*, 2003; Mellahi, 2006).

### **3.4 The Saudi Economic Context**

Over the last few years, Saudi Arabia has undergone noteworthy structural reforms in the economic domain. The Saudi Arabian economy is recognized to be an oil-based one with a strong governmental control over major economic activities. The country possesses 25% of the world's known oil reserves and is its largest exporter (Mellahi, 2006). Recent statistics have indicated that the country's gross domestic product (GDP) was 4.6% in 2010, increasing to 6.8% in 2011. The contribution of the oil companies to the GDP had increased from 51.1% in 2010 to nearly 58% in 2011, whereas the private sector contributes with around 25.6% (Saudi Arabian Monetary Agency report, 2013). However, back in the mid-80s, a drop in price of oil pushed the country to reduce the state's dependence on the oil economy and consider alternative sources of revenue through the liberalization of the local market by promoting its efficiency and expanding in foreign direct investment (FDI) (Krimly, 1999; Niblock, 2006; Looney, 2004). The reform of the Saudi economy was fuelled by the post-2000 increases in the oil prices and precisely in 2003 was given an immediate financial imperative (Niblock, 2006). Niblock (2006) argued that there are two main motivations behind the advances in the reforms, including international pressure, especially after 9/11, and domestic pressure linked to unemployment figures and living standards.

Local employment is an indicator of economic growth. Saudi Arabia's population growth is one of the highest in the world and the percentage of young people in the overall population is relatively high. Available figures show that the average yearly growth of the Saudi economy has been 2% since the early 1990s, while its average population growth has been closer to 4% (Mellahi, 2006). Furthermore, the Economist (2000) estimated that the Saudi economy should increase by 6% every year to keep up with the fast growth of the Saudi population. As a result of this variation, high unemployment numbers have become one of key challenges facing the Saudi government. Recently published statistics indicate the number of individual unemployed in the

first quarter of 2012 to be 1.161.035. Table 3.1 shows the number of Saudi job seekers by age group between 2010 and the first quarter of 2012. The total unemployment figures increased sharply from 84,664 to 1.161.035, with the highest percentage (48.4%) falling between the ages of 25 and 29 (Saudi Arabian Monetary Agency report, 2013). It is important to acknowledge that the government only officially began to measure the unemployment rate after 2010.

Table 3.1: Unemployment figures by age group

<b><u>Age</u></b>	<b><u>2010</u></b>	<b><u>1Q2012</u></b>
20-24 years	39084	262652
25-29 years	32706	562385
30-34 years	12874	335998
Total	84,664	1,161,035

Source: SAMA report, 2013.

Thus, the challenges that need to be tackled are the high unemployment numbers and the fast population growth with high numbers of young people; this in a context that sees high numbers of foreign employees and an economy that relies heavily on oil production. To do so, the Saudi government has developed a three-pronged approach that includes joining the World Trade Organization, implementing internal changes and a programme of privatization of core government services, and promoting FDI to enhance the transfer of technology (Najm & Hetherington, 2003). Saudi Arabia's 1996 application to join the World Trade Organization obliged the country to implement reforms in its internal policies which were aimed at complying with World Trade Organization requirements (Niblock, 2006). Accordingly, in 2000, the Saudi Arabian General Investment Authority (SAGIA) was established (Ramady & Saeed, 2007). The establishment of a climate favourable to foreign investment in Saudi Arabia is a vital move to deal with the increase in the population and workforce. SAGIA was given 'the task of promoting foreign investment and serving the interests of the business community as a 'one-stop shop' for licenses, permits and other administrative procedures relevant to business'' (Niblock, 2006, p.

126). In this respect, SAGIA's operating framework was essential in reducing process bureaucracy and speeding up investment decision times to within 30 days. This process time reduction came about from gathering 16 representatives of government agencies under the same roof. Another important role of SAGIA is to provide international companies and foreign investors with all the relevant information and establishing service centres in three major cities (Ramady & Saeed, 2007). Furthermore, Niblock, (2006, p. 127) identified the following critical elements of change in the laws pertaining to foreign investment aimed at improving the country's investment climate and attracting capital:

- Companies could henceforth be 100% foreign owned (except in specified sectors), and foreign and Saudi companies were to be treated on an equal basis. Previously, the Foreign Capital Investment Committee had usually required a 51% Saudi ownership. Under the new laws, foreign companies were eligible to apply for low-cost loans from the Saudi Industrial Development Fund on the same terms as Saudi ones. These loans could cover up to 50% of a venture.
- Foreign companies were henceforth allowed to own the land for their licensed activities and to house their employees. Previously, a Saudi partner had been required to own the land.

These reforms and new laws placed foreign investment on an equal footing with that of Saudi individuals and companies in terms of benefits, incentives and guarantees, with the exception of the income tax rates, which were then reduced to 30% in 2003 and to 20% in 2004 (Ramady & Saeed, 2007; Niblock, 2006). Beside the laws on direct investment and the changes in income tax rates, the Saudi government also considered the importance of reforming the capital market and intellectual property rights, and of regulating the insurance sector (Niblock, 2006). In addition, to further encourage foreign investment and satisfy World Trade Organization requirements, from

2001, Saudi Arabia initiated the privatization of its major sectors under the supervision of the Supreme Economic Council. This privatization can be attributed to two reasons. First, ‘it increases productivity by reducing the role of the bureaucratic public sector’. Second, ‘it encourages the growth of private sector-led investment growth, a significant proportion of which will be from foreign sectors’ (Niblock, 2006:135). Following the implementation of these reforms, Saudi Arabia was admitted into the World Trade Organization in December 2005, which had a dramatic influence on opening up the Saudi economy (CIA, The World Factbook, 2010). In addition, these reforms were also reflected in the rapid increase in licensed international joint venture from 1,585 in 1987 to 3,608 in 2006 (Ali, 2009; SAGIA, 2006), which are the most recent published data.

The Saudi economic reform took into consideration the country’s high reliance on foreign expatriate employees. Taybe (2005) highlighted that one of the features of Arab companies was their heavy reliance on foreign expatriates in both highly technical and professional roles and shop floor manual jobs because of the shortage of suitably capable home-grown individuals. The recent statistics released by the Saudi Arabian Monetary Agency in 2013 indicate that the majority of employees in the private sector are foreign expatriates. Table 3.2 shows that the 2011 labour force amounted to nearly two million Saudis in both the public and private sectors, with non-Saudis nearly reaching seven million. The total workforce, including non-Saudis, was of 8,779,634 people.

Table 3.2 Saudi Labour force: nationality, type of work and gender, 2011

		Male	Female	Total
Saudi	Public	616748	302360	919,108
	Private	744,990	99,486	844,476
Non-Saudis	Public	37,128	41,902	79,030
	Private	6,823,554	113,466	6,937,020
Total				8,779,634

Source: SAMA report, 2013.



The above figures show that number of Saudis employed in the private sector was 844,476, while the corresponding number of expatriates was just under seven million. The Saudi Arabian Monetary Agency report (2013) indicates that, while the Saudi workforce in the private sector had increased by 16.5%, non-Saudis also increased by 10.7%. These last numbers show the importance of restructuring the private sector to absorb more Saudi nationals. In response to this issue and in line with economic reforms at the macro level, the Saudi Arabian government has placed greater emphasis, in the sixth (1995-2000) and seventh (2000-2005) five-year plans, on creating new jobs and replacing the foreign workforce (Saudization) (Al-Dosary & Rahman, 2005; Looney, 2004) along with focusing on the micro level by establishing the Human Resource Development Fund in 2000.

The Saudization programme is aimed at implementing the strategy of replacing the foreign workforce with local Saudi workers through various employment quotas targets (Looney, 2004). The programme, according to the author, is mainly focused on three major goals, which are: increasing the Saudi workforce across all sectors, reducing the over-reliance on expatriate foreign workers and recapturing and reinvesting the income that would otherwise be transferred to the latter's home countries. The aim of the programme is to put pressure on the private sector to employ a higher percentage of Saudi nationals. In line with this policy, the government had initially reserved some industry sectors to Saudis only and had set a minimum percentage for others (e.g. in the banking industry, each bank should have employed at least 75% local workers). These percentages, however, was later amended, as the Ministry of Labour issued new directions which specify that they have to fall between 5 to 20% depending on industry sector. To more forcefully enact this policy, the government also introduced some checks and balances for private organization to contrast the recruitment of foreign labour. For example, while employers could previously apply for any number of work visas, the new regulations only allow to apply for one work visa at a time, with a two-month period between each subsequent application (Alzalbani,

2002: 134 for government policies to discourage private sector firms from employing non-Saudis). Recently, the Ministry of Labour launched the so-called 'Netagat' programme that applies to all of private organizations operating in Saudi Arabia. This programme is also part of the Saudization plan and subdivides all private firms into four categories in terms of their required level of job localisation. Each category is assigned different privileges with regard to the recruitment of foreign labour. The programme divides the market into 45 activities, and each activity in five sizes, which results in 255 classes. Each class is made up of firms that are similar in terms of both size and activity. The Ministry of Labour has offered organizations that adhere to the requirement of employing local personnel various incentives and the possibility to apply for more foreign visas.

While is still too early to evaluate the overall impact of this job localization policy on the Saudi economy, the private sectors has already put up some resistance and has expressed its concerns. For example, Looney (2004) identified a possible cause for the private sector's concerns: "many firms may feel that Saudization will reduce their competitiveness and, for that reason, may decide to leave the kingdom for a more business-friendly environment". The author noted that this would reflect highly on the banking industry, which the Ministry of Labour had already ordered to localize 9,771 jobs held by foreign expatriates in 2003, resulting in a brain drain and loss of business to other regional banking industries such as that of United Arab Emirates (Dubai). Past studies have shown that one of the key barriers to the employment of Saudis in the private sector is the widespread belief among Saudi managers that local workers are much more expensive to hire than foreign expatriates. Beside the cost, there are also other factors that are related to the better work discipline of expatriates, their English and technical skills and job mobility (Mellahi & Wood, 2001; Ramadi, 2005). The lack of cooperation of the private sector in the employment of Saudis can also be partly attributed to the lack of skilled and professional labour resulting from of the mismatch between the output of the education and training system and job market requirements (Achoui, 2009). Secondly, imposing Saudization "may result in a reduction of FDI

in the kingdom. Foreign firms may feel that Saudization not only puts them at a disadvantage compared to their foreign competitors, but that the whole Saudization programme itself is unpredictable, with rules and quotes changing without warning”, which, in the long run, could reflect upon the overall Saudi economy.

At the micro level, the Saudi government also paid attention to the qualification of young Saudis in specific aspects such as behaviour and technical and English skills to increase their job market appeal and employment. To this end and among other initiatives, in 2000, the Saudi government launched the Human Resource Development Fund. The main objectives of this programme are: to provide young Saudis with training suitable for their employment in the private sector, to share the cost of training Saudis with the private sector, to cover part of the salary of employed Saudis for a period of two years and to support other programmes aimed at increasing job localization. In addition, the Saudi government developed the ‘King Abdullah Bin Abdulaziz Foreign Scholarship Programme’. The purpose of this programme is to provide highly qualified young Saudis with the opportunity to further their education in top universities worldwide to increase their knowledge and experience. In addition to government programme, the private sector also took initiatives for the development of Saudi nationals. For example, the *Arab News* (2007) reported that the National Commercial Bank (NCB) had established a training centre for women who wished to set up their own businesses. Furthermore, in the same year, the British government and the Future Experts Institute signed a funding deal to train local women in business. However, the literature shows that the mismatch between the skills developed and those required by the economy has led to shortages in the labour market (Ali, 2009).

It is important to acknowledge that the purpose of this chapter is to discuss the reliability of the policies introduced by the government rather than to offer an overview of the Saudi market and of the implications of HRM policies on organizations. The government hoped that the establishment of its regulations would counter the local pressure caused by reliance on foreign expatriate workers. However, at the same time, these could cause specific repercussions at the organizational level. Firstly, as noted above, local organizations and, more specifically, local banks, which provide the context for this study might bear the brunt of the effects of the brain-drain more than joint venture banks. The government ordered the process of job Saudization to be accelerated in the banking industry, which resulted in international joint venture banks gaining a competitive edge over local banks due to the former's ability to maintain foreign expatriates in their top positions and benefit from their valuable knowledge. Secondly, the implications on the economy of the government are driving for the recruitment of Saudis in the private sector requires HRM managers to look at new ways of managing their workforce. Although private sector organizations conform to Saudization quotas because of fear of sanctions, and not because of morality considerations (Mellahi, 2007, p.94), the previous management hire-and-fire culture of employing personnel who are in awe of authority and work with minimal demands (Bhuian & Alhassan, 1997) and low turnovers (Bhuian & Al-Jabri, 1996) is unlikely to remain acceptable. Private organizations need to re-develop their practices as Saudis would not accept to work under such conditions. A growing number of Saudis are calling for improved workplace conditions, more participation and involvement in the decision-making process and a higher influence on the running of the firms. Thus, managers need to put a higher emphasis on motivation, employee rights, human resource development and retention as opposed to coercion, threats and punishment (Mellahi, 2006).

### **3.5 Islamic Environment and Cultural Values**

The Saudi culture is a unique blend of religion and Arab traditions that together have a strong influence on the mentality and behaviour of the local inhabitants. This mixture of characteristics influences management practices in general and HRM practices in particular. Firstly, it is important to differentiate between the influence of religious and traditional norms within a country, especially in countries that do not have religious diversity, as is the case of most Arab countries. Hofstede (1997, p.16) argued that culture precedes religion and puts it:

...religious affiliation, in itself, is less culturally relevant than is often assumed. If we trace the religious histories of countries, then the religion and the version of that religion that a population has embraced seem to have been the result of previously existing cultural value patterns as much as the cause of cultural differences.

Religious influence is found to be prominent in Saudi Arabia and is adopted throughout the country as a source of legitimacy that also stems from the King's role of guardian of the holy Islamic cities (Albrecht & Schlumberger, 2004). To Muslims, Islam is "a way of life and is the source of spiritual power that sustains and enforces moral standards" (Ali, 2009, p. 3). The Quranic principles and the Prophet Muhammad's teachings provide values that organize the Muslims' daily lives, from family issues to the conducting of businesses. Historically, Izzeddin (1953) indicated that, prior to the 1258 collapse of the Arab-Islamic state, industries and trades were organized in corporations and guilds. She argues that the Islamic moral foundations encouraged businesspeople and artisans to have a sense of duty towards their workers and towards one another. Islam provides deeply held values that include, among others, cooperation, dedication, discipline, accountability, gratefulness, justice, truthfulness and sincerity (Alhabishi & Ghazali, 1994; cited in Mellahi, 2006, p.104). These Islamic values and teachings have implications on management styles and HRM practices. For example, Islamic instructions and

traditions set five criteria for the selection of employees that draw upon Quranic principles and prophetic prescriptions, which are: competency, experience, responsibility, organizational fit and reputation within the community. The Quran advises (28:26), “Truly, the best of the people for thee to employ are those who are competent and trustworthy.” Furthermore, the Prophet stated that “{h}e who is in a position of leadership and knowingly appoints a person who is not qualified to manage others, violates the command of God and his messengers” and “when a person assumes an authority over people and promotes one of them because of personal preferences, God will curse him forever”. In addition, Quranic principles and prophetic prescriptions also place a strong emphasis on respect and obedience to leaders. However, the majority of Muslims scholars identified what is called “dynamic followership” arguing that, although Islam highlights obedience to leaders, followers should not condone blind subservience (Beekun & Badawi, 1999). In other words, although it is true that workers should follow leaders, the latter should convince their subordinates rather than use administrative fiat to impose their decisions. This concept is deeply embedded in Islam through the practice of consultation, by which managers consult their employees before a decision is made (Mellahi, 2003). Thus, Islamic teachings and values should be seen as pillars and principles that organize Muslim daily life and, at least in theory, reflect on the workplace relationship between subordinates and management (Mellahi, 2006).

The other side of the coin is represented by the traditional norms. It is not surprising that Saudi Arabia is recognized as having a highly contextual and more collective culture than the rest of the Arab world as Islam is considered to be an important source of legitimacy, along with a highly collectivist orientation. The collectivist and individualist dimensions define the relationship between the individual and the group. They are defined as the norms by which the individualism or collectivism expected of its members will affect the relationship between individuals and the organizations to which they belong. In other words, they describe the interpersonal relations between people in a particular culture. In addition, Hofstede also reported that Saudi Arabia is

characterised by a high power distance compared to the rest of the Arab world. He defines 'high power distance' as follows: "the power distance between boss B and subordinate S in a hierarchy is the difference between the extent to which B can determine the behaviour of S and the extent to which S can determine the behaviour of B". This suggests that the relationship between actors within a society is strongly influenced by that society's culture. Several studies support Hofstede's outcomes and reflect their influence on the management style discussion of this part of relationship, which can be seen in detail in Mellahi, (2006) and Tayeb (2005; for the overall Middle East). The evidence indicates that the management style is influenced by the traditional norms of Saudi society. For instance, Bhuian *et al.* (2001: 29) indicated that the "typical Saudi management style focusses on the group rather than on individuals, resulting in less importance being attributed to task identity". The authors continue by arguing that not to be included in their social circle is a sign of management dissatisfaction for an individual employee, which indicates non-renewal of the job contract for non-Saudis and marginalisation for Saudis. Furthermore, organizations are described as having a "hierarchical and centralized structure, characterised by a paternalistic authoritarian management style" (Taybe, 2005, p.76). In the Saudi context, managers appreciate more directive and persuasive supervisors, with whom employees are afraid to disagree. Bhuian *et al.* (2001) stated that, "in general, Saudi managers expect their employees to do whatever they are told, and disregard for an employee may be viewed as an indication of management dissatisfaction". In other words and as mentioned above, Saudi Arabia has a collective culture and individual employees being left alone to do their jobs is not a sign of trust in their creative abilities and freedom, but rather one of rejection and marginalization.

### ***3.5.1 The Islamic Environment and Cultural Values and their Implications for HRM in Saudi Arabia***

The discussion above has shown that both religion and Arab traditional norms are reflected in the management style. However, although Islamic ideology has profoundly shaped cultural values and beliefs, the existent research indicates that in the Arab world there is a gap between Islamic teachings and management practices (e.g. Branine & Pollard, 2010; Ali, 2010; Mellahi & Budhwar, 2010). Branine and Pollard (2010) argued that management in Arab countries is heavily influenced by traditional norms and Western management styles, rather than Islamic principles. This strong influence of traditional norms on management practices in general, and on HRM practices in particular, will be discussed in detail in this section. In other words, there is a gap between Islamic teachings (formal prescriptions) and social norms (informal prescriptions). For instance, while, as mentioned above, Islamic principles on employee selection highlight aspects such as competency, task requirements and experience, in practice, the selection process is deeply influenced by a range of traditional norm-related factors such as nepotism and a rigid bureaucracy. Ali (2010, 2009) argued that the most important factor that makes the selection process subjective and sometimes worthless is personalized relationship or kinship. He argues that “despite the public denouncements of nepotism, in practice, kinship, regional relationship and political considerations shape the selection process. Both the tribal nature and communal relationship of the society favour nepotism and subjectivity in the selection process” (2009, p. 150). Other examples of such a situation can be observed in performance evaluation and promotion. While Islam takes into consideration such values as justice and fairness (*adl*) and truthfulness (*amanah*), both promotion and performance management practices are more influenced by social norms rather than by Islamic teachings. For instance, in performance management, most medium and large size organizations nowadays use methods similar to those that can be found in the West, especially techniques developed in the U.S. (Ali, 2009). These,



however, Ali argued, do not exist independent of social norms. He argues that personal relationship, along with nepotism and religious teachings relative to mercy (*rehema*) influence both the adoption of measures and the enforcement of standards. In addition, promotion criteria are often applied inequitably. The evidence suggests that nepotism exerts a widespread influence upon promotion decisions and employees with strong tribal or family connections are often placed in more advantageous positions. This is also the case for the levels of retribution as they neglect individual job performance in favour of relationship influences (e.g. Mellahi, 2006; Tayeb, 2005). In summary and as noted above, the evidence suggests that Saudi culture is a blend and coexistence of Islamic disciplines, traditional values and western lifestyles. At the same time, this unique mixture shapes management styles and influences the implementation of HRM practices. As noted earlier, while organizations adopt western techniques that could be incorporated with Islamic teachings to ensure better management, the strong influence of the individualised values of the local environment still promotes favouritisms linked to kinship and regionalism. A question that can be raised relates to the extent to which local social norms influence the adoption and implementation of HRM practices in joint venture banks.

### **3.6 Financial System and Banking industry in Saudi Arabia**

This section aims to represent the development and growth of the banking industry in Saudi Arabia and to shed light on the role of the Saudi Arabian Monetary Agency in the banking industry and HRM practices.

#### ***3.6.1 The development of the banking industry in Saudi Arabia***

The Saudi banking system has witnessed prominent developments since the 1950s. The roots of the modern institutional financial system of Saudi Arabia can be tracked back to October 1952, when the Saudi government established the Saudi Arabian Monetary Agency and a national

currency was created. Prior to this, there were only a few foreign trading houses, such as the Algemene Bank Nederland, and some local money changers that provided finance related services to meet the needs of the trading community and of the pilgrims visiting the country. The more formal and organized forms of the banking system emerged soon after the large-scale extraction of oil began and following the Second World War. The increase in oil production had boosted government expenditure which led to the need for a well-organized financial system. At the time, the Saudi market inspired leading banks to open unique branches such as the French Banque de l'Indochine in 1948 and the British Bank of the Middle East in 1950 (Al-Muharrami, 2009).

The key role played by the Saudi Arabian Monetary Agency since its establishment is the coining of the national currency (the Saudi Riyal); it acts as a government bank, deals with commercial banks, deals with foreign exchange, organizes the insurance market and tries to ensure the stability of prices and exchange rates. The establishment of the Saudi currency went through various developments. One of the major tasks of the Saudi Arabian Monetary Agency report was the completion of the establishment Saudi monetary system; however, the Saudi currency was not immediately issued in 1952. Only precious metals were used as currency. At the time, the Saudi government issued what were called Pilgrims receipts. These were issued in different languages and their aim was to replace the heavy coins for pilgrims. This step was welcomed by pilgrims and gained the confidence of both traders and common citizen in the domestic market. Between 1950-1956 paper money gradually started to be issued. The formal issue of banknotes was first launched in 1961, under the reign of king Saudi Bin Abdulaziz, and continued until their fifth issue was released in 2007 (Saudi Arabian Monetary Agency report, 2010). In the 1960s, the focus was on developing and formulating rules and regulations under the fast expansion of banking operations and on dealing with the currency transformation from metal to paper. Further, in 1966, the banking system came under the Saudi Arabian Monetary Agency's control and supervision. In 1970, the bank's assets had grown from three to 93 billion Saudi Riyals and its

deposit from two to 68 billion. At this time, the Saudi government introduced and announced a policy that allowed foreign banks to operate as publicly traded companies and formally associate in joint ventures with local banks. In the mid-1970s, new legislation was introduced aimed at maintaining the rights and interests of the local banks in the newly created intentional joint venture banks. To this end, the legislation introduced various rules to limit foreign banks to own no more than 50% of the international joint venture ownership, regulate their names (e.g. Saudi British bank, Saudi French bank), maintain management responsibilities and trade on equal footing with national banks to ensure stability and performance. By 1980, ten out of the 12 registered banks had foreign partners. In the 1980s there was a worldwide drop in oil prices which reflected directly on the banking industry and reduced the value of its assets; however it recovered again in the 1990s, after the end of the gulf crisis, and banking activity witnessed a rapid growth. In the second half of the 1990s, some banks effected mergers, such as was the case of the United Saudi Commercial Bank and Saudi Cairo Bank, which formed the United Saudi Bank. Moreover, Saudi banks continued to embrace operational development by investing in new technologies such as electronic funds transfer systems, phone banking and internet services (Saudi banks, 2013; Saudi Arabian Monetary Agency report, 2010; Al-Muharrami, 2009).

### ***3.6.2 The growth of the Saudi banking sector***

Saudi Arabia's banking industry has the largest market share in the Gulf region measured by asset size and number of branches. It has witnessed a remarkable expansion accompanied by an ongoing revision of its regulations. Saudi Arabia is part of the Gulf Cooperation Council, which allows Saudi banks to open branches and provide services within its member countries (Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates), and, at the same time, it is a member of the World Trade Organization, which requires the country to be open to the entry of international banks. However, it is important to note that the Kingdom allows foreign banks to operate within a maximum of 40% ownership.

The 2013 Saudi Arabian Monetary Agency report indicates that, by the end of the first quarter of 2013, a total of 23 banks were operating in the country, including 12 commercial banks and 11 licensed foreign bank branches. Of the 12 commercial banks, eight were local Saudi banks and four were international joint venture ones. While banks in Saudi Arabia provide various financial products, until recently, the joint venture banks were more focused on private banking. As a result, the report indicates that the number of branches of joint venture banks experienced a rapid growth, mirrored by the size of their workforce. Overall, banking industry statistics, in terms of branches, workforce and ATMs, show a fast growth. For instance, by the end of 2010, the number of branches was only 1,591; however, by the end of the April 2013, it had increased to 1,713. Similarly, at the end of 2009, the workforce size was reported to be 36,655, 31,539 of which were Saudi citizens. By the end of 2011, the size of the workforce in the banking industry was 39,467, with 33,463 local Saudis, constituting nearly 84% of the total. Saudi Arabia's expanding banking industry requires banks to invest in their human resources to sustain the competitive advantage among each other and across the region.

### ***3.6.3 Rational for Studying the Banking Industry***

The Saudi economy is undergoing an unprecedented boom involving all sectors of the economy, including the banking industry. It has been argued that the financial system is the second most important institution, right behind the state (e.g. Whitley, 1992). In general, financial systems, banking, insurance companies etc. play a vital role in supporting and sustaining every business movement in any community. In developing countries, the development of the banking and financial system may reflect the importance given by the country to this vital sector, which can be largely relied upon to achieve the desired growth for the national economy (Al-Muharrami, 2009). It is not overoptimistic to presume that Saudi Arabia's banking industry will keep to flourishing because of the continuous growth of the economy. The sharp increase in oil revenue and the government's plan to diversify the economy from its heavy reliance of oil production bides well

for banks and other private players (Global investment house report, 2006). As noted above, the sharp increase in numbers of recent years indicates that Saudi banks have positioned themselves for the forthcoming competition by improving their operational efficiency. Furthermore, the country's demographic structure, based on its sizeable younger generation, supports the view that the demand for and the competition between banking services will remain strong. Therefore, the changes in the economy and the intense competition are driving banks to grow exponentially, with great opportunities to expand in the provision of conventional services in addition to investment banking. Specifically, Saudi banks provide a variety of financial products and services such as commercial banking, investment banking, security brokerage and management of investment companies for both open- and closed-end mutual funds (Wohlers-Scharf, 1983). However, as argued in the economy section, the increase in the number of Saudis employed in the private sector – in this case, the banking industry – will require more sophisticated HRM policies capable of responding to the risks of the business and to the high competitiveness. It can thus be assumed that the fast growth and greater opportunities require ensuring the services of highly qualified human capital invest in its abilities and retain it. This could result in the IJV banks in Saudi Arabia utilizing the HRM practices of their parent companies, pushing for standardization and internal learning to maintain differentiation in the local market. By contrast, local Saudi Banks may rely heavily on external learning (e.g. private consultants) to keep their policies up to date. Overall, this provides the rationale and makes it suitable to investigate the HRM policies of both these types of banks in terms of the extent of their adoption and implementation as they are both influenced by the same cultural and institutional pressures.

#### ***3.6.4 The Role of the Saudi Arabian Monetary Agency in HRM Practices***

According to the Saudi Arabian Monetary Agency documents accessed by the researcher, the role of the Saudi Arabian Monetary Agency in the banking industry can be seen as that of a supervisor that mentors the industry and organizes the market. It develops and formulates the rules and

regulations that ensure the stability and security of the banking sector. In 2012, at the firm level and through the 'Banking Supervision Department', the Saudi Arabian Monetary Agency imposed various new regulations related to the execution of several HRM functions, including the compensation system, recruitment and performance management. For instance, the compensation system is considered to be a key factor contributing to the global financial crisis. The Saudi Arabian Monetary Agency recognized the problem and introduced rules to set minimum requirements and provide supervisory guidance to banks in the formulation of their policies, procedures and practices on compensation. The new policy is aimed at dealing with the risks posed by compensation rather than determining the absolute amount to be paid, which is left to the individual banks' internal policies. It covers specific areas, such as the compensation governance, which includes the role of the board, compensation policies and compensation committees; compensation structure; disclosure requirements and supervisory review. In performance management, the Saudi Arabian Monetary Agency offers guidelines to the performance structure. The aim is to establish an association between compensation practices and individual performance. For instance, the new policy requires banks to implement a performance appraisal system that evaluates and measures employee performance at various levels and in an objectives manner. It also requires the procedures and processes to be clearly documented and to avoid undue influences and conflicts of interest. Further, the framework also suggests that the performance measurement procedures and processes should provide an assessment of performance for individual contributions linked to the overall performance of the bank. In addition, the Saudi Arabian Monetary Agency takes part in organizing job evaluation surveys to analyse the market value of different positions. The aim is to reduce employee turnover and mobility by creating a standard/basic salary for each role, leaving it to the banks to decide what salary gap they want to offer. The banking supervision department also has the role of monitoring Saudization in the banking industry and hiring for the banks' key positions. In further details, as the cut-off point for localizing the job is 75%, the role of the Saudi Arabian Monetary Agency is to monitor this

percentage and ensure it is achieved, but it does not get involved in the processes and techniques adopted to reach this requirement. In addition, the allocation of the top positions in the banks must be approved by the Saudi Arabian Monetary Agency. The purpose of this step is not to agree or disagree but to double check the candidates and ensure there is no conflict of interest that could harm the banks' stability. Thus, the role of the Saudi Arabian Monetary Agency with regard to HRM is to protect the banks by providing them with guidelines on the procedures of some of HRM practices, but does not get involved in how such processes will be carried out. Therefore, it can be assumed that there will be similarities in the practices adopted by the banks but there will be differences in the way these practices are implemented throughout. In the same vein, the managerial data gathered from the banks indicate that the role of the Saudi Arabian Monetary Agency and the Ministry of Labour in HRM is limited and has no direct impact. The data also show that the Saudi Arabian Monetary Agency has no problem in importing some of the best international practices to raise organizational standards as long as they fit with local culture and are relevant to the Saudi market. This heavy regulation may have implications affecting international joint venture banks. While the regulations do not cover the processes to implement the practices, they can control the degree of transferability of some of the practices, such as the way in which the rewards system is implemented by the banks. At the same time, they can also act as enablers in terms of transferring specific practices the effectiveness of which has been experienced, such as performance management and evaluation, selection techniques, training and development. Therefore, this provides an interesting case to examine and explore the transferability, adoption and implementation of high performance HRM practices in these banks.

### **3.7 Chapter Summary**

In this chapter, the unique socio-political, economic and cultural background of Saudi Arabia was discussed. The chapter indicates that, despite the government's efforts to differentiate the country's income, oil still the main source of the GDP. In addition, Saudi Arabia's population growth is one of the fastest in the world and the percentage of young people in the total population is relatively high. This requires the Saudi government and economy to confront several challenges, including reducing the dependence on oil, the fast changes in the local population and the high number of the non-Saudis, which, all together, has led to economic reforms such as privatization laws, investment laws, more liberal private enterprise and direct foreign investment laws to stimulate competition. Although it is early to assess the importance of these reforms for the Saudi economy, some speculate that they will have a negative influence on FDI and brain-drain, especially in the banking industry, where they could provide intentional joint venture banks with an edge on local ones. The chapter also indicates that both religious and traditional Saudi norms reflect on management styles in general, and in HRM practices in particular. It indicates that, while Islamic teachings have profoundly shaped cultural values, in practice, traditional social norms have more significant effects. These are visible in the hierarchical structure of Saudi organizations and in the effects of personalism, along with nepotism, on the processes of HRM practices. Lastly, the chapter shows that the fast changes in the Saudi economy and the heated competition in the banking industry have driven banks to grow exponentially in numbers and services, resulting in a more careful and selective investment in their human capital. The role of the Saudi Arabian Monetary Agency appears to be one of organizing the sector and providing general themes to what HRM practices should be like rather than getting involved in the details of the operationalizing process.

The next chapter provides the details of the methodology that was adopted in this thesis and provides the details of the four-case bank study selected for this study.



# **CHAPTER FOUR**

## **RESEARCH METHODOLOGY AND METHODS**

### **4.1 Introduction**

This chapter presents the research methodology and methods that have guided this research along with a detailed justification of the methods that were employed. The chapter begins with background information, followed by a brief discussion of the research paradigms. In the following section, a discussion of the researcher's philosophical stance will be given, followed by a detailed analysis of the quantitative and qualitative approaches and a detailed justification for the adoption of a mixed approach. This is followed by a discussion of the data collection methods and sampling design, which also includes respondent rates and profiles, along with the question development. The measurement developments as well as the ethical consideration are discussed later in this chapter. The chapter ends with a brief summary that emphasizes the researcher's stance and the tools that were used.

## 4.2 Research philosophy

The relationship between theory and observations (data or information) is the subject of an old yet still ongoing philosophical debate. Several philosophy perspectives have merged, presenting different views of our perception of the world and of what constitutes knowledge. This has been the establishment of the broader debate on paradigms. A paradigm, a concept made famous by Thomas Kuhn (1970), represents the basic orientation of a theory and research. Morgan (2007) identified paradigms as a “set of beliefs and practices that guide a field”. According to Kuhn (1962, p. viii), paradigms are “universally recognized scientific achievements that, for a time, provide model problems and solutions to a community of practitioners”. Paradigms are important to scientific communities because they show researchers how to go about their research. They include basic assumptions, important questions to be answered, research techniques to be used, and examples of what a good research should be like.

The research philosophy adopted by a researcher involves important assumptions about the way in which said researcher views the world. It also encompasses the particular perspective of the relationship between knowledge and process by which such world view is defined. These assumptions reflect on the choice of the research strategy and of the methods being used. In other words, it helps to clarify the appropriate research design: how to collect and analyse the data and how to interpret it (Hussey and Hussey, 1997). The literature in this strand identifies three major schools of thought on research philosophy: epistemology, ontology and axiology. Epistemology deals with the nature of knowledge and with what constitutes valid knowledge. This explains the relationship between the researcher and the object of the research. Unlike epistemology, ontology is concerned with the nature of reality. The focus here is on how researchers perceive the social world. Researchers must decide whether they consider the world as external and objective to the social actors, or social phenomena as being created through the perception and actions of the social

actors. Lastly, axiology is the branch of philosophy that is concerned with the nature of value. This involves the role of the researcher's values and perceptions in the various stages of the research process. Heron (1996) argued that all human action is guided by individual values. He further argued that the axiological skill of researchers is demonstrated by their ability to articulate their values as a basis for making a judgement about what research they are conducting and how they are going about doing it.

From the discussion above, each of the three philosophies contains relevant features that influence the way in which a researcher thinks about the research process. The two approaches to these three paradigms that have been widely accepted by social researchers and are perhaps the two best-known are positivism and interpretivism. They differ in the way they define what constitutes knowledge and constitute two opposites, with certain other aspects falling in between them. Whichever of them is chosen by the researcher, these two approaches are related in the sense that the researcher needs to produce considerable and valid findings.

Positivism is an approach that has been borrowed from the field of the natural sciences. It is based on the assumption that social reality exists externally of our perception and can only be viewed objectively. Positivists assume that the development of knowledge occurs by investigating social reality through the observation of objective facts. Positivists perceive the world as the product of fixed laws of cause and effect and, therefore, deductively use systemic observation and correct scientific methods to test theories which pertain to these laws. If the objective facts support all or part of the hypotheses, the underlying fundamental laws are found to be applicable and their validity is enforced. Another important component of this approach relies on the fact that the research is value free, because the objectives are external. The assumption is that "the researcher is independent of and neither affects nor is affected by the subject of the research" (Remenyi *et al.*, 1998, p. 33). This means that the researcher needs to be as much as possible detached from the research process and use objective research methods to uncover the truth and minimize any

subjective involvement. This implies that different researchers observing the same social phenomenon should obtain safe facts that describe the social world (e.g. Muijs, 2011; Blumberg *et al.*, 2008; Saunders *et al.*, 2007; Bryman & Bell, 2011). While the positivist view provides the advantage of developing a highly structured methodological and quantifiable analysis that is highly reliable and applicable for generalizing the outcomes, it reduces the scope for an in-depth analysis of the phenomena being observed.

The interpretive approach, on the other hand, holds the view that simple fundamental laws are insufficient to give meaning to the whole complexity of social phenomena. It posits that the world is socially constructed, subjective and that its meaning is given by the social actors who interpret it based upon their points of view and interests. Researchers that use an interpretivist approach tend to actively interact in the processes of the subject being researched to understand the social world of the research participants. Within this interrelationship, interpretivism accepts the influence of the researcher's values even if these are not made explicit. These values help to understand the reality within a specific social context. However, researching social phenomena requires looking in depth at how each participant interprets the social world, which will involve multiple circumstances constructed by many individuals. Although interpretivism is highly appropriate in the complex, unique and ever-changing business environment, the generalizability of research that is aimed at capturing the complexity of social situations is argued to be questionable (Saunders *et al.*, 2007; Blumberg *et al.*, 2008). Table 4.1 provides a comparison of positivism and interpretivism.

	<b>Positivism</b>	<b>Interpretivism</b>
<b>Basic principles</b>		
View of the world	The world is external and objective	The world is socially constructed and subjective
Involvement of the researchers	The researchers are independent	The researchers are part of what is observed and sometimes even actively collaborate
Research influence	Research is value-free	Researcher is driven by human interest
<b>Assumptions</b>		
What is observed?	Objective, often quantitative, facts	Subjective interpretations of meanings
How is knowledge developed	Reducing phenomena to simple elements representing general laws	Taking a broad and total view of phenomena to detect explanations beyond the current knowledge

Cited from Blumberg *et al.*, 2008, p. 19.

### 4.3 Qualitative and Quantitative Research

Research methods in social sciences are often divided into two categories, namely, quantitative and qualitative. The choice of either is based on epistemological issues. According to Smith (1983, p. 10) “in quantitative research, facts act to constrain our beliefs; while, in interpretive research, beliefs determine what should count as facts”. Positivist researchers view knowledge as a process that consists of deducing hypotheses (explanations) and testing them by measuring reality. Researchers taking an interpretivist approach gain knowledge of phenomena through in-depth investigations and analyses. Therefore, quantitative methods are more common in positivism, whereas qualitative ones are in interpretivism (e.g. Blumberg *et al.*, 2008). The quantitative research method can be conceptualized as a research strategy that emphasizes the numerical values of the data collected and analysed (Bryman & Bell, 2011). Quantitative researchers collect these numerical values by using tools (i.e. questionnaires) to test hypotheses that have been drawn from the theory. The data are then computed by means of dedicated software and mathematically analysed, producing statistics, tables or charts. The researcher then discusses how what they show relates to the hypotheses. Because of the need to conduct statistical analyses, quantitative research requires the selection of large samples that can be representative of a whole population. However,

one of the major limitations of quantitative strategy is the need for a highly structured methodology that allows researchers to obtain precise information, which leaving little room for further insights (e.g. Blumberg *et al.*, 2008; Saunders *et al.*, 2007). The qualitative research method, on the other hand, is defined as “an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (Van Maanen, 1983, p. 9). Thus, it is conceptualized as a research strategy that places its emphasis on words rather than numbers (Bryman and Bell, 2011). Furthermore, unlike the quantitative one, the qualitative strategy tends to be inductive and the researcher develops the concept and collects insightful data in the form of words. The research outcome drives the theory, rather than being applied from the outset. Qualitative researchers capture and discover the meaning and the richness of detail of the phenomena being examined by using techniques such as in-depth interviews and observations. As a consequence, the collection of qualitative data does not require large samples. The data are then analysed using non-statistical methods, such as transcripts and video clips, and the categorization of data. The downside of the qualitative method is that it is less rigorously structured, which increases the researcher’s degree of involvement and the subconscious or deliberate filtering of the information provided (e.g. Blumberg *et al.*, 2008; Saunders *et al.*, 2007). Lastly, the third methodological approach highlighted in the literature is the mixed-method one, which represents a utilization of both quantitative and qualitative approaches in the study (e.g. Teddlie & Tashakkori, 2008). It has been suggested that adopting mixed-method approaches would help to find a theoretically plausible answer to the research question and assist in overcoming the cognitive and practical barriers that confront any type of research (e.g. Tashakkori & Creswell, 2008; Venkatesh et al., 2013). In addition, Creswell and Clark (2007) provided four main types of mixed-method design; these include triangulation (the merging of qualitative and quantitative data to understand a research problem); embedded (the use of either quantitative or qualitative data to answer a research question within a largely qualitative or quantitative study); explanatory

(the use of qualitative data to explain quantitative results); and exploratory (the collection of quantitative data to test and explain a relationship found in qualitative data).

#### **4.4 Background to this Study and Researcher Position**

Prior to discussing the researcher's position, it helps to clarify the aims and objectives of this research and to touch upon the limitations of existing studies. Because of their hybrid, multi-party and practically overlapping nature, there has recently been an increase in the volume of research on HRM practices and policies in international joint venture operations. International joint ventures bring together two or more different organizations that may have different backgrounds in terms of their cultures, economics, resources and experiences. This may result in different views of what constitute efficient HRM practices. Prior research in this strand indicated that, besides being subject to the hybrid influence of others, HRM practices are more likely to resemble those of the parent company. Moreover, it identified several factors, drawn from various theoretical perspectives (e.g. institutional and resource dependence), that influence the degree of transferability of HRM practices. The overall results suggest that there are various ways in which MNCs integrate their HRM practices in their foreign subsidiaries (e.g. controlling value resources and number of expatriates). In addition, the results also indicate that, in their host countries, international joint venture firms confront less institutional pressure as compared to local ones (e.g. Gamble, 2003; Namazie, 2003). However, these previous studies suffered from theoretical and methodological limitations. They neglected implementation (who operationalizes HRM practices, and how, beyond the level of transferability and adoption), and employee experiences and perceptions, and were mainly focused on the degree of similarity and differentiation (standardization versus localization) of HRM practices at the managerial level. The respondent managers in previous studies were asked to estimate the extent of similarity and differentiation and to indicate which factors prevent or support the transferability of HRM practices.

This PhD research study compares international joint ventures and local banks operating in Saudi Arabia. Drawing on the discussion above, it is reasonable to assume that international joint venture banks are likely to have the edge over local Saudi ones in high performance HRM practices as, among other things, they confront fewer institutional constraints. This PhD research study extends the existing literature on HRM in international joint ventures by examining the adoption and implementation of high performance HRM practices from the employees' perspective. It focuses on the employees' experiences of these practices and on their perceptions of their effective outcomes, including perceptions of HRM effectiveness, fairness (distributive and procedural) and organizational commitment in international joint venture and local Saudi banks, respectively. In addition, this research also performs an in-depth exploration of the mechanisms and processes that lead to the observed differences in HRM implementation and effectiveness between international joint venture banks and local Saudi ones beyond the superficial aspect of their adoption. Furthermore, as noted in chapter two, while the term 'adoption' refers to the top management formulating and adopting HRM practices, in this thesis, 'implementation' refers to the operationalization of these practices throughout the firm, and to how employees experience and judge the practices' effective outcomes. Thus, the employees' experiences and perceptions are important indicators of the effective implementation of HRM practices. In addressing these aims, several objectives are derived that highlight, as an example:

- the significant variation of high performance HRM practices between international joint venture and local Saudi banks;
- how employees experience and perceive the effective implementation of HRM practices;
- whether there is agreement between the employees and managers in the two sets of banks about the adopted HRM practices; and
- what could lead to effective implementation.



Based upon the discussion above, the researcher's stance is positivist, aimed at examining several hypotheses that developed from the existing literature and indicating the extent of variation in the effective adoption and implementation of high performance HRM practices between the two sets of banks. To do so, this PhD research study employs a mixed-method approach – quantitative and qualitative. The aim of the quantitative aspect of the strategy is to understand the relationship between ownership patterns and several dependent variables (employee perception of HRM effectiveness, employee perception of fairness, and affective commitment) through employee experience of HRM practices. Collecting employee data reflects their experiences and perceptions of HRM practice effectiveness in international joint venture and local Saudi banks. The quantitative facet of the strategy enables the researcher to collect data from a large number of respondents (employees) over a short period of time. Furthermore, collecting data from the employee perspective allows the researcher to capture the actual HRM practices that are adopted and implemented throughout the two sets of banks, rather than relying exclusively on the managerial viewpoint, as was the case in previous studies. Beside this, standardized and more accurate information will be gathered through the usage of the same data collection instruments among all employees at the two sets of banks, as the questionnaire has been checked for validity, piloted and revised. In addition, data collected by means of quantitative methods enables the researcher to test and understand the relationship between the independent and dependent variables under investigation as well as being able to be easily replicated and to provide generalizable results. On the other hand, the qualitative strategy has been adopted to provide two main aims. The first is to expand the statistical results and give richness and meaning to our understanding of the statistical relationship through the employees' interpretation of their own experience and perceptions (incidental) of the variables under investigation. The second aim of the qualitative approach can be argued to be a separate part, qualitative in nature that mainly focuses on managers' data and is aimed at providing insight information on the mechanisms and processes that lead to the effective implementation of high performance HRM practices in the two

sets of banks. The qualitative strategy and data enable the researcher to interact with respondents who have a direct experience of HRM practices (employees) and with others who have a first-hand knowledge of the implementation process due to their close involvement in it (managers). Therefore, since each strategy has its own strengths and weaknesses, it makes sense to use a mixed method to serve the purpose of the study and to overcome any shortcomings of a single method strategy, besides adding more value to the study and its findings.

## **4.5 Data Collection Methods**

Prior to the discussion of the fieldwork, the aim of this section is to describe the tools adopted for the data collection and provide justification for their utilization. As noted earlier, the adoption of a mixed method strategy (quantitative and qualitative) is suited to the purpose of this study. In addition, selecting the best data collection method is considered to be paramount. It has been argued that there is a relationship between the chosen data collection techniques and the results obtained (Saunders *et al.*, 2007). Therefore, among other techniques, the data collection method adopted for the quantitative aspect of this study is the self-completed questionnaire, whereas the qualitative one is characterised by the use of interviews. This is due to the fact that the process of adoption and implementation cannot be easily captured by a questionnaire survey; the latter needs to be supplemented by in-depth interviews.

### ***4.5.1 The Questionnaire Survey Method***

Questionnaires were adopted to collect the employee experiences and perceptions of high performance HRM practices. The general terms ‘questionnaire’ refers to “all techniques of the data collection in which each person is asked to respond to the same set of questions in a predetermined order” (Saunders *et al.*, 2007, p. 354). There is a wide range of questionnaire designs, including self-completed, internet-mediated, interviewer-administered, and postal or mail

questionnaires. The choice of design is influenced by various factors, including respondent characteristics, sample size and the types and numbers of questions (Saunders *et al.*, 2007). For this study, for various reasons, the self-completed questionnaire design was adopted. Since the target population of this study is made up of a large number of employees, it was not possible to conduct face to face encounters to measure their experiences and perceptions of the effective adoption and implementation of HRM practices. Postal questionnaires were rejected because, although it is improving, Saudi Arabia's postal system is not yet sufficiently reliable. Also, the banks participating in this study preferred to distribute the questionnaire internally, via the HRM department. The direct involvement of the HRM department in the distribution of the questionnaires also ruled out telephone interviews. Moreover, an online survey was also ruled out because of the banks' security system.

The self-completed questionnaire method has its own advantages and disadvantages. On the one hand, its strengths can be justified as it allows the faster distribution of set of standard questions to a large number of respondents, is inexpensive and more convenient in terms of the respondents' time. In addition, unlike structured interviews, a self-completed survey can offer participants anonymity, the lack of which could influence the reliability of the results (e.g. Wilson, 2010; Bryman & Bell, 2011; Saunders *et al.*, 2007). By contrast, one of the disadvantages of this method is the low rate of response and the fact that the respondents cannot be prompted as they can be in an interview-administered questionnaire (Bryman & Bell, 2011; Saunders *et al.*, 2007). In this study, to ensure clarity of the constructs under examination and to maintain a high response rate, the questions were developed with the help of academics and employees working in Saudi Arabia's banking industry. In addition, covering letters explaining the purpose of the questionnaire, guaranteeing the anonymity of the answers and providing a clear layout of the questionnaire and of the language were also distributed. In addition, a pilot test of the questionnaire was conducted, which was important for formalizing the final set of questionnaires.

Moreover, the HRM department and the other head managers or the people responsible for distributing the survey in the departments of the four case study banks were the objects of a constant follow-up through emails, phone calls and in person.

#### ***4.5.2 The Interview Method***

The interview method was used in this study because it fits its overall objectives, which required an in-depth analysis of the statistical results and an understanding of the mechanisms and processes leading to effective implementation of high performance HRM practices in the two sets of banks. A research interview is defined as “a purposeful conversation between two or more people, requiring the interviewer to establish rapport, to ask concise and unambiguous questions, to which the interviewee is willing to respond, and listen to the answers” (Saunders *et al.*, 2012, p. 372). Interviews can be conducted in a wide range of ways. At one end of the spectrum are highly structured interviews, and at the other side are unstructured or in-depth interviews. Highly structured interviews are conducted face-to-face and are based on predetermined and standardized or identical questions. This style of interview is usually referred to as quantitative. By contrast, semi-structured interviews, which were adopted in this study, and unstructured interviews are not standardized; the researcher has a set of themes and questions to cover. These types of interviews are referred to as qualitative (Easterby-Smith *et al.*, 2004; Saunders *et al.*, 2007). Moreover, Easterby-Smith *et al.* (2004: p. 87) suggested that both semi-structured and unstructured interviews are appropriate when:

- 1) it is necessary to understand the constructs that the interviewees use as a basis for their opinions and beliefs about a particular matter or situation;
- 2) the aim of the interview is to develop an understanding of the respondent's world so that the researcher might influence it, either independently or collaboratively, as in the case of action research.

Additionally, interviews vary in relation to the interaction which takes place between researcher and interviewee. With regard to this, each interview type can be conducted in various forms such as face-to-face, which is the most commonly used via telephone or other electronic device, and one-to-many, as is the case in group interviews. All these forms present advantages and disadvantages and the adoption of either depends on the particular circumstances (e.g. Saunders *et al.*, 2007). The semi-structured interview was found to be an appropriate tool for this research. The interviewees targeted in this study were employees, who were asked to recount an incident relating to their experience and perception of HRM practices adopted throughout the banks. In addition, managers (e.g. HRM managers, line managers and expatriates) were also interviewed due to their close involvement in the implementation of HRM practice processes. Thus, the qualitative data provides meaning to the statistical results as well as an in-depth analysis of the mechanisms and processes that result in the effective implementation of HRM practices in international joint venture and local Saudi banks beyond the superficial aspect of their adoption. The researcher developed the question themes and interacted face-to-face with the interviewees to explore and understand in detail several aspects of their world and interpretation. Easterby-Smith *et al.* (2004) argued that, although interviews are the best method to gather data, they have a complexity of their own that is sometimes underestimated. As such, despite the various advantages that can be gained from the interview method, there are concerns of interviewer bias which are specific to face-to-face interviews, by which interviewers might lead the interviewees when asking the questions or subjectively interpret the answers (Easterby-Smith *et al.*, 2004). In addition, Neuman (2006) indicated six categories of issues to consider, including, for instance: 'respondent errors – forgetting, getting embarrassed, misunderstanding, or lying due to being in the presence of strangers, 'the influence of the interviewer's expectations about a respondent's answers based on the latter's appearance, living situation or other reasons', and 'unintentional errors caused by interviewer sloppiness – contacting the wrong respondents, misreading or omitting questions, reading questions in the wrong order, recording the wrong answer to a

question, or misunderstanding the respondents' (p. 309). At the data collecting stage and to avoid interview bias, the researcher adopted probe techniques to understand in detail the interviewees' perceptions of the issues under investigation and to engage them during the interview. The question order was kept open and dependent on the flow of the conversation, and the interviewees were encouraged to share incidental stories and experiences. Prior to starting the interviews, the participants were reassured about the confidentiality of the information provided and were asked for their permission to record the interview (Easterby-Smith *et al.*, 2004; Saunders *et al.*, 2012).

## **4.6 The Time Dimension**

The cross-sectional design commonly used in examining HRM in international joint ventures was adopted in this study. This choice was determined by three factors, namely: the purpose of the research, the time frame over which the data needed to be collected and the cost. A cross-sectional study is described as a snapshot taken once, at a particular point in time. By contrast, a longitudinal study involves the repeated investigation of the same subject which can be completed over a relatively long period of time, even extending to years (e.g. Blumberg *et al.*, 2008; Saunders *et al.*, 2007). The latter would have been more suited to this research, as it would have allowed the measurement and exploration of the variation between the adoption and implementation, and the employee experiences and perceptions of changing HRM practices over time. However, time constraints made its adoption impossible (Saunders *et al.*, 2007). In this study, the data were collected over a period of nearly five months from four banks operating in Saudi Arabia. The main advantages of a cross-sectional design are its economies of time and costs. Further, I was able to secure the availability of a high number of respondents at a single point in time, as will be discussed in the following section. However, despite the cross-sectional design chosen for this research, the researcher faced some challenges in gaining access to the respondents. Having failed to secure access directly with the banks the researcher wrote several emails and made a number

of calls to secure official access from the Saudi Arabian Monetary Agency. This was followed by follow-up calls and emails to each of the participating banks to arrange meetings with their HR departments. For security reasons, the banks' HR departments decided to internally distribute the questionnaire to their head office and branches themselves.

## **4.7 The Research Sample**

The following section presents the use of the research methods highlighted earlier. Several processes or stages are involved in the selection of a sample. These include defining the target population, constructing the sample frame, determining the sampling techniques, and defining the sample size (Wilson, 2010; Hair Jr *et al.*, 2011).

### ***4.7.1 The study's target population and sample design***

This PhD research took place in Saudi Arabia's banking industry. As noted in chapter three, Saudi Arabia represents a comprehensive case to be examined because of its unique socio-economic culture that is likely to influence the adoption of HRM practices and management styles. The target population of this study comprises employees and managers from the banking industry. As noted earlier, the employees in this study were asked both to complete questionnaires and take part in semi-structured interviews. This was down to two reasons: firstly, employee experience and perception are important indicators of the effective implementation of high performance HRM practices; secondly, to overcome some of the limitations in the existing literature that relied mainly on managerial data. Part-time employees and those who had worked for less than a year were excluded from both the interviews and the questionnaire; the former because their priorities may have differed from those of the full-time employees, and the latter because they may not have been exposed to some HRM practices long enough to build solid experiences and perceptions.

Semi-structured interviews were also carried out with line and senior managers as well as expatriates due to their direct experience of the implementation process.

#### ***4.7.2 The Research Context – The Banking Industry***

The selection of Saudi Arabia's banking industry as a setting for this research is justified, among other reasons, by its stability, profitability, and fast growth. According to Bain and Company representatives, Saudi banks are set for huge changes. They stated that they had "received some encouraging responses from banks that showed a keen interest to diversify business from a customary corporate-based clientele to retail banking". These representatives also indicated that "with retail banking set as the target, banks in Saudi Arabia are more than likely to double the number of small branches during the next five to seven years from the existing figure of roughly 1,500" (*Saudi Gazette*, 2012). In addition, the Saudi Arabia Monetary Agency report (2013) showed a rapid increase in the number of bank branches, from 1,353 at the end of 2007 to 1,671 in August 2012. Therefore, it is reasonable to assume that the fluidity and expansion of the Saudi banking industry will encourage more recruitment, development, and retainment of employees for reasons of competitive advantage. In addition, the Saudi banking industry comprises both international joint venture banks (with different countries of origin of the foreign partners) and local Saudi banks, which provides an interesting scenario in which to examine the variation between the two sets of banks and the influence of ownership patterns on the adoption and implementation of HRM practices.

The original plan was to cover all 12 official and commercial banks (international joint venture and local) operating in Saudi Arabia. Prior to embarking on the research, it appeared that securing access directly from the banks would be difficult. Thus, the researcher wrote a letter to H.E. the Governor of the Saudi Arabia Monetary Agency requesting his support to gain access to the banks to collect data. The letter included a brief introduction of the researcher and of the research,



emphasizing its importance in terms of its contribution to the literature and to bank practitioners in Saudi Arabia. The Governor's written endorsement was essential to secure access to the banks and to ensure their cooperation; it was duly granted, but only limited to four banks. This can be considered as one of the major limitations of this study and led the researcher to adopt a purposive sampling method to identify two sets of banks based on the endorsement provided. As the key aim of this study is to compare two sets of banks it was important to ensure that the two banks making up each set (international joint venture and local Saudi banks) presented similar features. In other words, for each set, the researcher had to identify two banks that closely resembled each other in terms of services provided, date of establishment, paid-up capital, being listed in the stock market, and size (number of employees and branches).

It is important to acknowledge that the option of expanding the research to other industries was ruled out. The aim was to focus on the in-depth analysis of a well-developed industry that was likely to feature sophisticated management styles and HRM practices. The two major industries in Saudi Arabia that are likely to run sophisticated HRM systems and feature the effective presence of foreign partners are banking and petrochemical. However, it has been argued that different industries might be subject to different levels of institutional constraints (e.g. Myloni *et al.*, 2004); therefore, to ensure the consistency of the in-depth analysis and due to other factors, such as accessibility, costs and time, this PhD study has focused on the banking industry.

#### **4.7.3 *Sample size***

Having defined the research sample and determined the sample frame, collecting data from the entire populations of the four case organizations in this research would have proven to be impracticable due to budgetary and time constraints (Saunders *et al.*, 2007). Therefore, considering a sample of the employees of the four case study banks was selected as a valid alternative. Many researchers, such as Henry (1990), argued that the use of a sample can provide

a higher overall accuracy than that of the whole population. Sample sizes in quantitative research tend to be larger than those in qualitative research; however, they are both a function of the research questions and objectives to be answered and achieved (Hair Jr *et al.*, 2011; Saunders *et al.*, 2012). From the interview perspective, many researchers suggest that the data collection (interviews) should continue until saturation is reached (e.g. Saunders *et al.*, 2012), while others suggest undertaking a general study of between 25 and 30 interviews (Creswell, 2007). From the quantitative perspective, the determination of the sample size can be reached by means of several formulae and tables. The larger sample size in quantitative research is adopted for statistical purposes and to reduce the errors that can result from generalizing to the entire population (Saunders *et al.*, 2012). Although an explanation of the different methods used to calculate sample sizes in quantitative research is beyond the scope of this research, its focus would be on Krejcie and Morgan's (1970) justification of sample sizes. In order to simplify the determination of a sample size representative of the entire population, the authors suggest "determining the sample size for research activities" by producing a table based on a formula developed in an article entitled 'Small Sample Techniques' by the research division of the National Education Association. According to Krejcie and Morgan (1970), although the formula developed in the article was provided, an easy reference table to be used without the need for calculation was not. Krejcie and Morgan (1970) also stated that "as the population increases, the sample size also increases, but at a diminishing rate, and end up remaining relatively constant at slightly more than 380 cases" as there is little to be gained by pouring expense and energy into a sample much beyond 380 cases. The formula and the table (Table 4.2) are provided below. However, since I am not cleared to disclose the identities of the banks participating in this research, Table 4.3 shows the overall target populations and appropriate sample sizes of the international joint venture and Saudi local banks investigated. The number of employees was provided by the HRM department of each of the four case study organizations.

The formula is:

$$s = \frac{X^2 NP(1-P)}{d^2 (N-1) + X^2 P(1-P)}.$$

Where:

s = the required sample size.

X<sup>2</sup> = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

**Table 4.2: Determining a sample size from a given population**

N	S	N	S	N	S	N	S
10	10	150	108	460	210	2200	327
15	14	160	113	480	214	2400	331
20	19	170	118	500	217	2600	335
25	24	180	123	550	226	2800	338
30	28	190	127	600	234	3000	341
35	32	200	132	650	242	3500	346
40	36	210	136	700	248	4000	351
45	40	220	140	750	254	4500	354
50	44	230	144	800	260	5000	357
55	48	240	148	850	265	6000	361
60	52	250	152	900	269	7000	364
65	56	260	155	950	274	8000	367
70	59	270	159	1000	278	9000	368
75	63	280	162	1100	285	10000	370
80	66	290	165	1200	291	15000	375
85	70	300	169	1300	297	20000	377
90	73	320	175	1400	302	30000	379
95	76	340	181	1500	306	40000	380
100	80	360	186	1600	310	50000	381
110	86	380	191	1700	313	75000	382
120	92	400	196	1800	317	100000	384
130	97	420	201	1900	320		
140	103	440	205	2000	322		

Notes: N = Population size; S = Sample size; Source: Krejcie and Morgan (1970, p. 608)

**Table 4.3: Target population of banks**

	<b>Total target population</b> <b>No. of employees</b>	<b>Total sample size required</b> <b>No. of employees</b>
Local Saudi banks	12,992	724
International joint venture banks	5,676	676

## 4.8 Fieldwork

This section presents the fieldwork, which was carried out in two stages – a pilot and the main data collection. This section also highlights the response rate and respondents' profiles.

### 4.8.1 *The Pilot Study*

To begin with, around September 2011, the researcher contacted a few employees for an informal interview about their experience and perception of HRM practices as adopted by their banks. The aim of this process was to identify those key individual HRM practices that exert a significant influence from an employee perspective; these will also reflect on the development of the constructs. Several individual HRM practices were repeatedly mentioned by the interviewed employees (e.g. performance appraisal, compensation, promotion prospects, participation). The employees talked about issues related to transparency and misconduct in the operationalization of the policies and practices. Then the self-completed questionnaire was developed and sent for pilot testing on employees working in the banking industry. The purpose of this was to try to refine the questionnaire and obtain an assessment of its questions to increase their validity and reliability. Bryman and Bell (2011) argued that pilot studies may be particularly relevant in the case of self-completed questionnaires as the interviewer will not be present to clarify any issues. Since the research was taking place in Saudi Arabia, the researcher translated the questionnaire into Arabic to ensure that the questions would be easily understood and maximize the benefit of the feedback. Besides obtaining the cooperation of an expert translator from the research department of the Saudi Arabian Monetary Agency, the researcher used his experience to translate the questionnaire as Arabic is his mother tongue,. 39 pilot questionnaires were returned, 31 of which proved to be usable. The participants were informed that this questionnaire was a pilot for a larger study and were asked to provide any comments or feedback in regard of time and clarity and any other opinions that could improve the survey. The respondents made several comments concerning the

length of the questionnaire and the ambiguity of some of the items. This feedback was taken into consideration and some of the questions were refined, others were deleted or merged, and the ambiguous items were rephrased.

#### ***4.8.2 Conducting the Main Data Collection***

This section presents the initial data collection process. Both the questionnaire survey and the semi-structured interviews were carried out between February and May 2012. The questionnaire survey was carried out first, followed by the interviews with the various stakeholders, including HRM managers, line managers, and expatriates.

##### ***4.8.2.1 Self-Completed Questionnaire and Response Rate***

The aim of the self-completed questionnaire was to investigate HRM practices from an employee perspective. To accomplish this, the same questionnaire was distributed to all staff members of the four case study banks. The questionnaire was divided into five sections. Section 1 concerned the demographic background of the respondents (e.g. gender, experience, academic qualifications). Section 2 concerned employee sourcing, covering recruitment and selection. Section 3 was based on employee development, including various HRM practices such as training and development, performance appraisal, and promotion prospects. Section 4 concerned employment related practices such as pay and rewards, channels of communication and employee participation. Lastly, section 5 concerned employment outcomes, such as organizational commitment and employee satisfaction with individual HRM practices (please see appendix one for the full sets of questions). The items to be measured were adopted from different sources in the literature (e.g. combs *et al.*, 2006; Edgar & Geare, 2005; Gaertner & Nollen, 1989; Price & Mueller, 1981; Chang, 2005; Sweeney & McFarlin, 1997; Allen & Meyer, 1990). The questionnaire was distributed internally to all staff members by their respective HR departments and line managers. This method of distribution could have implications on the response rate due

to the direct involvement of the management but, at the same time, could enhance the findings as the bank might direct the questionnaire to a particular department or group. In any case, the HRM departments of the two sets of banks were assured of the confidentiality of the research, names, and findings. Furthermore, every questionnaire was sent out with a covering letter explaining the purpose of the research, encouraging participation and guaranteeing anonymity and confidentiality. The researcher used a 'dead drop' method to collect the completed forms; respondents, including those employed in the banks' branches, had to deposit them in boxes left either with the secretary of their HR or individual departments.

The total response rate for the two international joint venture banks totalled 549 completed questionnaires or 81% of the required sample of 676 respondents. The return per bank was 308 completed questionnaires from bank IJV1 and 241 from IJV2. By contrast, the return rate of the local Saudi banks was 67% of the required sample of 724 respondents. The total returned from bank LO1 was 260, 247 of which were usable. Bank LO2, saw a total return rate of 255 completed questionnaires, 242 of which were usable. A possible explanation for the variation in the response rate between IJV and LO banks can be attributed to the role played by their respective HRM departments in their internal relationships with the other departments, those in the IJV banks being more positive. Another possible explanation can be the higher degree of professionalism and the higher consideration given to research in the IJV banks compared to those of the LO ones. In any case, there is no agreement as to what constitutes an adequate response rate. Neuman (2000) asserted that a response rate above 90% is to be considered excellent and one below 50% poor. However, Babbie and Mouton (2001) indicated that, for analysis purposes, a response rate of 50% is suitable and one above 60% is good. To increase the response rate, the researcher had to do follow-ups and send a reminder email to the HR department of each bank and to some of their senior managers. The researcher also extended the data collection period by one month to ensure as high a response rate as possible. Table 4.4 shows the response rates.

**Table 4.4: Responses rate**

	<b>Total returned</b>	<b>Usable</b>	<b>Total Sample required</b>	<b>Percentages</b>
<b>Local Saudi 1</b>	260	247	724	67%
<b>Local Saudi 2</b>	255	242		
<b>Joint Venture 1</b>	325	308	676	81%
<b>Joint Venture 2</b>	252	241		
<b>Totals</b>	1092	1038	1397	74%

Note: sample required presents the total required of the two international joint ventures and locals based on Krejcie and Morgan (1970). Usable: more than one year's experience and without missing data. Percentage: represents the total usable of the two international joint venture banks and similar to local Saudi banks on the required sample.

Across the two sets of banks, the respondents were asked about their personal background information (age, gender, nationality, education, department—head office versus branch, marital status, and years of experience). In total, 52.9% of the respondents were from the IJV banks and 47.1 from the LO ones. Most of the data were submitted by males (73.3%). In terms of age groups, most respondents were between 21 and 30 years old (63.1%) and in terms of experience, most had between 1 and 5 years (62.6%). Please see Table (4.5) below for further details.

**Table 4.5: Demographic Profile of the Respondents**

<b>Variables %</b>	<b>IJV banks</b>	<b>LO banks</b>	<b>Total</b>
<b>Respondents from</b>	52.9	47.1	100
<b>Gender</b>			
Male	69.4	77.3	73.3
Female	30.6	22.7	26.9
<b>Age</b>			
21-30	62.3	64.0	63.1
31-40	29.7	30.1	29.9
41 and over	8.0	5.5	7.1
<b>Nationality</b>			
Saudis	89.8	91.9	90.8
Non-Saudis	10.2	8.2	9.2
<b>Marital Status</b>			
Married	48.8	51.5	50.1
Unmarried	51.2	48.5	49.9
<b>Department</b>			
Head office	80.7	72.8	77.0
Branch	19.3	27.8	23.0
<b>Tenure</b>			
1-5 years	60.7	64.8	62.6
6-10	27.5	25.8	26.7
11-30 years	11.8	9.4	10.7
<b>Education</b>			
High school or less	22.6	12.1	17.6
Diploma	29.9	30.1	30.0
University	40.3	49.7	44.7
Postgraduate	7.3	8.2	7.7

Note: *N* = 1038; international joint venture (N=549) and local Saudi banks (N=489).

#### **4.8.2.2      *Conducting the Research Interviews***

The questionnaire survey was followed by the semi-structured interviews. The interview data were collected by means of 27 face-to-face in-depth interviews involving various stakeholders including HRM managers, line managers, and expatriates (in IJV banks). The suitability of this method for this study and its reflection on the process can be observed from the following quote by Saunders *et al.* (2012, p. 374, 375). The authors mention that in semi-structured interviews the researcher will have:



*“a list of themes and possibly some key questions to be covered, although their use may vary from interview to interview. This means that the researcher may omit some questions in particular interviews, given a specific organizational context that is encountered in relation to the research topic. The order of the questions may also be varied depending on the flow of the conversation. On the other hand, additional questions may be required to explore the main research questions and objectives given the nature of the events within the organizations. The nature of the questions and the ensuing discussion mean that the data will be captured by audio-recording the conversation or perhaps note taking.”*

The researcher developed themes that were relevant to the research questions and objectives (see appendix two). The themes were developed from the literature and highlighted aspects, such as the adoption of individual HRM practices derived from the questionnaire, the degree of influence of the foreign partner and the extent of the integration of these practices, and aspects linked to the implementation process. As noted earlier, the aim of the questionnaire was to capture and expand the statistical results, and to capture in-depth the mechanisms and processes leading to the effective implementation of HRM practices in international joint venture and local Saudi banks. The interviews were audio-recorded. The interviewees were told that the aim of audio-recording was for research purposes and accurate data analysis and interpretation. Furthermore, each of the interviews was conducted in the workplace and lasted on average between 40 and 60 minutes. To ensure the diversification of views, the choice of respondents included employees and managers of different departments, genders and grades, and with more than one year of experience. The interviewees' profiles are shown in Table 4.6.

**Table 4.6: Interviewee Profile**

Case no.	Banks	Gender	Years of experience	Employment status and comments	Case code
1	LO1	Male	13	HRM managers	LO1GM
2	LO1	Female	7	Line manager, Accounting Dpt.	LO1LM1
3	LO1	Male	7	Employee, Finances Dpt.	LO1E1
4	LO1	Female	4	Employee, Investment Dpt.	LO1E2
5	LO1	Male	3	Employee, Accounting Dpt.	LO1E3
6	LO1	Male	6	Employee, Marketing	LO1E4
7	LO1	Male	5	Employee, retail Dpt.	LO1E5
8	LO2	Male	12	HRM manager	LO2GM
9	LO2	Male	5	Line manager, Corporate Dpt.	LO2LM1
10	LO2	Female	4	Employees, Administration	LO2E1
11	LO2	Male	3	Employee, Finances Dpt.	LO2E2
12	JV1	Male	9	HRM managers	JV1GM
13	JV1	Female	8	Line manager, Direct channel Dpt.	JV1LM1
14	JV1	Female	9	Line manager, treasury Dpt.	JV1LM2
15	JV1	Males	3,4,4	Group of three employees. cods: JV1EG1,JV1EG2, JV1EG3	
16	JV1	Male	3	Expatriate, HRM Dept.	JV1EX1
17	JV2	Male	12	HRM manager	JV2GM
18	JV2	Female	9	Line manager, Retail Dpt.	JV2LM1
19	JV2	Male	7	Line manager, Investment Dpt.	JV2LM2
20	JV2	Male	5	Expatriate, Finance Dpt.	JV2EX1
21	JV2	Male	6	Employee, Investment Dpt.	JV2E1
22	JV2	Female	4	Employee, Administration	JV2E2
23	JV2	Female	6	Employee, Corporate Dpt.	JV2E3
24	JV2	Male	4	Employee, Finance Dpt.	JV2E4
25	JV2	Female	3	Employee, IT	JV2E5

(a) Total number of interviews: 27. (b) Local one is (LO1), Local two is (LO2), Joint venture one (JV1), Joint venture two (JV2). (c) Case number 15 is a group interviews with three interviewees with 3 and above years' of experience.

## **4.9 Reliability and Validity of the Questionnaire**

Reliability and validity have been argued to be essential evaluation criteria for good and accurate measurement. They act like the “...first lines of defence against spurious and incorrect conclusions” (Salkind, 2000, p. 106). Therefore, addressing these measures is likely to add more credibility to the research measurement tools and findings (Wilson, 2010).

### **4.9.1 Reliability**

Reliability can be conceptualized as consistency. This is the ability to obtain stable answers from the same participants at different times and under different situations (e.g. Bryman and Bell 2011; Saunders *et al.*, 2007). There are three common approaches to assessing reliability: test re-test, alternative form and internal consistency. This study adopted the internal consistency approach, the one most widely used in the existing literature. This approach requires only a single administration of the questionnaire and then correlates the responses to each question within the same questionnaire to other questions or question subgroups (Saunders *et al.*, 2007). In other words, it investigates whether or not the various indicators that represent a scale or index are consistent with each other. The most widely and commonly used coefficient to calculate internal consistency is Cronbach’s alpha, especially after its incorporation into computer software for quantitative analysis. The alpha reliability coefficients of all construct items used in this study are based on calculations drawn from the SPSS software and are presented below in the development measure section.

Cronbach’s alpha measures the average of all possible split-half reliability coefficients. The index of the overall reliability of scale is given statistically: Cronbach’s alpha coefficient would range between one for high internal reliability and zero for no internal reliability (Bryman & Bell, 2011). The higher the value, the more reliable the scale is. However, there is no particular ‘rule of thumb’

figure to indicate an acceptable level of internal consistency within the scale. As a rule of thumb, some writers indicate 0.80 (ibid.), while others accept the slightly lower figure of 0.70 as the cut-off point (e.g. DeVellis, 2003; De Vaus, 2002); whereas Nunnally (1967) stated that a minimum of 0.50 can represent an acceptable and adequate reliability level (e.g. Hannon *et al.*, 1995). In addition, De Vaus (2002) stated that any item within a scale or index that does not measure a concept has to be eliminated. Cronbach's alpha shows whether a response to a particular item reflects the pattern of responses of other items (Item-to-scale coefficient). The higher the coefficient for an item, the more likely the item belongs to the scale. The rule of thumb is that, if an item measures below 0.3, it should be dropped from the scale (ibid.).

In this study, the alpha coefficient based on SPSS showed an acceptable and reliable level above 0.7. In addition, the analysis also showed that there was no low item-total that required to be deleted. Table 4.7 below shows the reliability coefficient alpha of all of the constructs in this study, ranging from  $\alpha = 0.819$  (employee perceived distributive fairness) to  $\alpha = 0.899$  (employee perceived organizational commitment).

Table 4.7: Summary of Cronbach's alpha reliability coefficients for the study variables

No.	Variables	No. of variables/items used	Reliability coefficient alpha	Alpha after items deleted
1	Experience of HRM practices	7 (variables)	.856	N/A
2	Perception of HRM practices' effectiveness	7 (variables)	.870	N/A
3	Perception of distributive fairness	4 (items)	.819	N/A
4	Perception of procedural fairness	6 (items)	.880	N/A
5	Perception of organizational commitment	3 (items)	.899	N/A

#### **4.9.2 Validity**

The term ‘validity’ refers to the ability of the questionnaire to measure what it is supposed to (Blumberg *et al.*, 2005). In other words, it concerns the relationship between a construct and its indicator. Validity can be viewed in two forms, internal and external. External validity concerns the generalizability of the findings beyond the immediate sample or settings. The internal validity of a questionnaire includes three main forms of validity: content, criterion-related and construct validity. Content validity is used in this research and is defined as the extent to which the questionnaire offers an adequate coverage of the investigated questions. To ensure the validity of the constructs, three major aspects were taken into consideration. Firstly, the items were used to measure and answer the investigation questions obtained from the relevant literature. Second, I asked PhD students to answer the questionnaire and provide critiques and suggestions to ensure the clarity of the items and whether or not they made sense (Saunders *et al.*, 2007). Third, a number of experts (academics and professional translators) also viewed the questionnaire before and after the pilot to increase its validity (Wilson, 2010; Blumberg *et al.*, 2005).

#### **4.10 Analysis of the data**

The data derived from the self-completed questionnaire were coded, entered and screened for errors in the statistical analysis software (SPSS). The entered data fall into two levels of measurements: nominal and interval. The collected nominal data include gender, education, marital status, place of work (head office or branch), and ownership pattern (international joint venture or local Saudi banks). For the purpose of this study, the employee questionnaires that fell in the interval level were restructured and new constructs were developed. The aim was to provide in-depth and more meaningful data that could capture the influence of and variation between the international joint venture and local Saudi banks’ adoption and implementation of high performance HRM practices. Furthermore, developing these new constructs was mainly driven

by definitions and constructs examined in the existing literature. For example, a recent HRM research defined employee perceptions of HRM practices as ‘how the employee evaluates the effect of those practices on his or her job accomplishment’ (Choi & Lee, 2013, p. 578). This result relies on the condition that the practices exist within the organization in which the employees experience and perceive their effectiveness on their work as outcomes. Similarly, prior research on organizational justice literature highlighted two prevalent forms: distributive and procedural justice (e.g. Folger & Konovsky, 1989; Greenberg, 1990). While distributive justice is defined as the employee perception of fairness in the allocation of the compensation, such as pay and bonus, that individual employees receive (e.g. Price & Mueller, 1986), procedural justice refers to the fairness perceived by individual employees of the process carried out to determine that amount; for example, those procedures aimed at reaching a fair final decision in promotion, compensation, performance evaluation, and selection (e.g. Chang, 2005; Sweeney & McFarlin, 1997; Truxillo *et al*, 2004). Therefore, based on the questionnaire, four sub-sections were developed. Section 1 concerned employee experience of high performance HRM practices. Section 2 consisted of a series of statements measuring the employee reported effectiveness of high performance HRM practices. Section 3 consisted of items measuring organizational justice, divided into distributive and procedural. Lastly, Section 4 was kept to measure employee reporting of organizational commitment. The employee experience of high performance HRM practices (mediator factor) and the effective outcome – including employee perception of HRM practices’ effectiveness, perception of fairness (distributive and procedural), and organizational commitment (dependent variables) along with age and tenure – were all interval data.

The analysis of the data took two forms: descriptive and inferential statistics. The descriptive statistics analysis was used to explain and understand the respondents’ characteristics among the four case banks in terms of age, gender, education and tenure. The inferential statistics in the second stage were computed to examine the relationships that can lead to the generalization of the

sample to the population of this study. The aim of the inferential statistics analysis is to examine the impact of ownership patterns on the employee experience of high performance HRM practices and the mediation role they play on the effective outcomes. This is aimed at confirming the variation between international joint venture and local Saudi banks in their effective adoption and implementation of these practices. In examining the relationships, this study used a mediation analysis that follows Barron and Kenny's four steps analysis. This was followed with Sobel and Bootstrapping tests to examine the significance of the mediation results (further details about these tests are reported in chapter five).

On the other hand, the qualitative data in this study were collected through semi-structured interviews, which were recorded with the interviewees' permission, and subsequently transcribed by the researcher himself to ensure validity. This study was carried out in Saudi Arabia and, as a result, most of the interviews were conducted in Arabic. This resulted in two possible ways of transcribing the interviews prior to carrying out the analysis: either the interview was transcribed translating it from Arabic to English or directly in Arabic. Due to the amount of interviews and to the time needed for the analysis, the transcriptions were made in Arabic, and the important key themes and quotes were subsequently translated into English and deployed in this study. Each of the transcriptions was saved in a separate encoded file to ensure interviewee confidentiality, preserve anonymity, and to be recognizable. During the data analysis process, the qualitative data were analysed manually and the thematic analysis method was adopted to identify, analyse and report patterns within the data (Braun & Clarke, 2006). In the beginning of this analysis process, the transcripts of the interviews were repeatedly read with different focuses prior to generalizing the initial codes and themes to preserve the data's in-depth meanings and rich outcomes.

## 4.11 Developing the measures

This section presents the development of the measures. Three techniques were used to develop the five measurement constructs in this thesis:

1. employee experience of high performance HRM practices;
2. employee perceived effectiveness of high performance HRM practices;
3. employee perceived organizational distributive fairness;
4. employee perceived organizational procedural fairness and
5. employee perceived organizational commitment;

including the additive approach, factor analysis, and internal consistency (Cronbach's alpha coefficient). The composite additive approach (as opposed to the multiplicative approach) was used to develop two constructs: employee experience and perceived effectiveness of high performance HRM practices. The additive approach technique was used to examine the impact of the combined set of seven variables: recruitment and selection, training and development, performance appraisal, promotion prospects, compensation, channel of communication, and employee participation. The summation of these variables allows me to retain the normal distribution of the construct, and the approach is more coherent than developing a bundle, especially when adopting and/or implementing certain practices that do not exist (or when the experience and perception of certain practices is expected to be low) (e.g. MacDuffie, 1995; Chang, 2005). In developing these two constructs, I coupled the additive approach with factor analysis and internal consistency (Cronbach's alpha). In addition, factor analysis and internal consistency were also adopted for the other three constructs.

Factor analysis, using principal components analysis (PCA), was used to establish whether there is an inter-correlation among the set of variables in employee experience and perception of high



performance HRM practices and between the items in the other three constructs. The aim behind the use of this technique was to summarize the variables and items to one factor or component for each of the five constructs. Three steps were followed in conducting the factor analysis: assessment of factor analysis suitability, factor extraction (PCA), and factor rotation (Varimax) (Pallant, 2010). Prior to performing factor analysis (PCA) the assessment of the data suitability was checked with the sample size and the strength of inter-correlation. The sample size in this study was beyond the minimum recommended for factor analysis (Tabachnick & Fidell, 2001). An inspection of the correlation matrix was also carried out for coefficients greater than .3 for most of the relationship. Lastly, the factorability of the data was also assessed with two statistical measures: the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, which ranges from 0 to 1, with .6 suggested as the minimum value for a good factor analysis, and Bartlett's test of sphericity which should be significant ( $p < .05$ ) for the factor to be considered appropriate (Tabachnick & Fidell, 2001). In addition, Cronbach's alpha coefficient, being one of the most common indicators of internal consistency, was adopted (Pallant, 2010). The technique was used to assess the degree to which the items that make up the scale are closely related. While some suggested that Cronbach's alpha coefficients of scale should be above .7 (e.g. DeVellis, 2003), Nunnally (1967) argued that the minimum acceptable level is .50 (cf. Hannon *et al.*, 1995; Lu & Bjorkman, 1997).

#### ***4.11.1 Ownership Patterns (Joint Venture versus Local Saudi Banks)***

This variable was examined as an independent one in the mediation model and labelled as ownership patterns in the analysis. As noted earlier and compared to the local Saudi ones, international joint venture banks are more likely to experience less institutional pressures; this can result in a more effective adoption and implementation of high performance HRM practices. Therefore, the four banks participating in this study were dummy-coded as 0 for the two local Saudi banks and 1 for the two international joint venture banks. However, the level of the analysis

can be argued to be an issue. More precisely, at the analysis stage, the individual level variables represent, as an example, employee perception, experience of HRM practices, employees' perception of fairness (dependent variables), and the organizational level variables capture the variation between different types of ownership pattern (independent variable). The existing research in the IHRM literature has statistically shown that different ownership types face different institutional constraints as well as variations in their adoption of HRM practices (e.g. Bjorkman & Lu, 2001; Ngo et al., 2008). This can also be the result of both the direct relationship between ownership pattern and employee perception of these practices, indicating whether there are differences among the two sets of banks.

#### ***4.11.2 Employee Experience of High Performance HRM Practices***

This variable was examined as a mediator (an independent variable). The manifestation of the high performance HRM practices that is experienced by employees was defined as the rules and procedures of a traditional HRM system implemented by the organization to promote consistency and fairness (Richard & Johnson, 2004). The items of the seven HRM practices were measured as continuous variables based on a 4-point Likert scale from 'strongly disagree' to 'strongly agree'.

Several items were developed to measure employee experience of HRM practices, namely: recruitment and selection; training and development; performance appraisal; promotion prospect; compensation practice; channels of communication; and employee participation. Table 4.8 below shows the number of items and internal consistency in each of the seven practices. Two items concerned recruitment and selection (recruitment and selection criteria are clear, and a careful and extensive system for recruitment and selection is being employed), and the alpha of these items was 0.698. Employee experience of training and development was measured by three items (I receive sufficient work-related training opportunities; I have been consulted about training needs;

I receive sufficient training that would enable me to find an alternative employment within the bank or outside, if I were to lose my job), which showed an alpha of 0.808. Employee experience of performance appraisal was measured by five items (performance appraisal is based on clear criteria; work requirements and performance criteria are clear and achievable; excellent appraisal results influence promotion opportunities; excellent appraisal results influence reward; the performance appraisal system gives a fair and true evaluation), with an alpha of 0.693. Employee experience of promotion prospect was measured by one item (promotion criteria are transparent), while compensation practices was measured by three items (pay is based on clear criteria; I get regular salary rises in my bank; the reward system is based on clear criteria), with an alpha of 0.666. In addition, five items concerned employee experience of channels of communication (I am regularly informed about the business plan and outlook for the business; I usually know well in advance when important things related to my employment are going to happen; I can ask management any reasonable question and get a straight answer; management do ask me how my work could be made more satisfying), with an alpha of 0.840. Employee participation was measured by three items (I am given the opportunity of formal participation process; management involves employees in decisions that affect their job work environment, I get adequate information from my employer on key employment issues that would allow me to contribute meaningfully towards decisions on those issues), which showed an alpha of 0.788.

The coefficient values of all seven HRM practices were above the recommended value of .50 (e.g. Nunnally 1967). However, prior to performing the summation of the seven practices to create the bundle, I ran a factor analysis to assess whether the seven HRM practices could be reduced to one single factor. Table 4.9 shows the result of the factor analysis of these variables. All seven practices of the employee experience of high performance HRM practices were factored as one major factor ( $KMO = .900$  and Bartlett's test for sphericity was strongly significant at .000), with eigenvalues exceeding 3.808, explaining 54.405% of the total variance, respectively. The

reliability of the seven constructs was .856 and therefore the average was taken from these variables to develop the employee experience of high performance HRM practices index.

**Table 4.8: Presents employees' experience of the seven HRM practice variables of high performance HRM practices and internal consistency**

Item No.	Variables	No. of items	Cronbach's alpha for each construct
1	Staffing experienced	2	.698
2	Training experienced	3	.808
3	Performance appraisal experienced	5	.693
4	Promotion system experienced	1	-
5	Compensation experienced	3	.666
6	Channel of communication experienced	4	.840
7	Employee participation experienced	3	.788

Note:  $N = 1038$ .

**Table 4.9: Factor analysis of the employee-experience of high performance HRM practices using Varimax rotation**

Item	Components matrix
Channel of communication experienced	.808
Compensation experienced	.778
Employee participation experienced	.757
Promotion system experienced	.747
Performance appraisal experienced	.718
Staffing experienced	.673
Training and development experienced	.672
Eigenvalue	3.808
Proportion of variance	54.405
Reliability of the index	.856

Notes: (a) Extraction Method: Principal Component. (b) Analysis Rotation Method: Varimax

### ***4.11.3 Employee Perception of the Effectiveness of High Performance HRM Practices***

This variable was used as dependent variable in the mediation model. The various experiences of HRM practices might lead to variance in their employee-perceived effectiveness. Therefore, the employee perception of high performance HRM practices was defined as employee belief in, evaluation of, and satisfaction with the diverse HRM practices implemented within an

organization (Chang, 2005; Choi & Lee, 2013). HR scholars propose a strong association between employee perceptions and their related outcomes, emphasizing the importance of the employees' perceived high performance effectiveness as an outcome of an effective implementation (e.g. Guest and Conway, 2011). Thus, if HRM practices are implemented effectively, employees are more likely to perceive their effectiveness. The items of the seven HRM practices were measured by means of a four-point Likert scale ranging from 'strongly disagree' to 'strongly agree'.

Several items were developed to measure employee perception of HRM practices' effectiveness, namely: recruitment and selection; training and development; performance appraisal; promotion prospects; compensation practices; channels of communication; and employee participation. Table 4.10 below shows the number of items and internal consistency in each of the seven practices. Employee perception of selection was measured by one item (the best candidate for the job is usually selected). Employee perception of training and development effectiveness was measured by three items (the training I receive helps me perform my current job effectively; my training is preparing me for a different job and giving me more scope for promotion; how well satisfied I am about the training opportunities provided by my bank), which showed an alpha of 0.766. Three items that concerned performance appraisal effectiveness were used (the performance appraisal system motivates me to work harder; the performance appraisal system helps to improve mutual understanding between my boss and me; how well satisfied I am about the way the performance appraisal system is conducted in the bank), and the alpha of these items was 0.820. Employee perception of promotion prospects effectiveness was measured by three items (I have the chance of moving further ahead in this bank; how much I am satisfied about the opportunities for future promotion in my bank; promotion is given to those who best deserve it), with an alpha of 0.755. Employee perception of the compensation practices' effectiveness system was measured by four items (how much am I satisfied about the pay in my bank; the implemented reward system encourages me to achieve my goals; the implemented reward system recognizes

those employees who contribute the most; how much am I satisfied about the reward system in the bank), with an alpha of 0.849. In addition, three items concerned employee perception of channel of communication effectiveness (the bank has done an effective job of communicating its current business strategy to employees; I believe my bank management makes a positive effort to keep staff well informed; my banks does a good job of communicating any changes or decisions that affect employees), with an alpha of 0.777. Lastly, employee participation effectiveness was measured by two items (the management genuinely seeks and responds to my suggestions and ideas; the management values my suggestions for improvements on work-related matters), which showed an alpha of 0.876.

As can be seen, Table 4.11 shows that all of the reliability values are above the generally acceptable level of .7, meeting the minimum value of .50 suggested by Nunnally (1967). The result of the factor analysis in table 4.10 confirmed one clear factor (KMO = .901 and Bartlett's test for sphericity was strongly significant .000), with eigenvalues exceeding 4.022, explaining 57.171% of the total variance respectively. I used the additive approach to calculate overall employee perceived effectiveness of the given HRM practices (e.g. MacDuffie, 1995). The reliability index among these variables is .870.

**Table 4.10: Employees' perceived effectiveness of the seven HRM practices' variables and internal consistency**

Item NO.	Variables	No. items	Cronbach's alpha for each construct
1	Staffing effectiveness	1	-
2	Training effectiveness	3	.766
3	Performance appraisal effectiveness	3	.820
4	Promotion system effectiveness	3	.755
5	Compensation effectiveness	4	.849
6	Channel of communication effectiveness	3	.777
7	Employee participation effectiveness	2	.876

Note:  $N = 1038$ .

**Table 4.11: Factor analysis of employee perceptions of the effectiveness of the high performance HRM practices' using Varimax rotation**

Item	Components matrix
Performance appraisal effectiveness	.830
Compensation effectiveness	.823
Promotion system effectiveness	.808
Channel of communication effectiveness	.793
Training effectiveness	.719
Employee participation effectiveness	.700
Staffing effectiveness	.588
Eigenvalue	4.002
Proportion of variance	57.171
Reliability of the index	.870

Notes: (a) Extraction Method: Principal Component. (b) Analysis Rotation Method: Varimax

#### ***4.11.4 Employee Perceived Fairness***

The variables were examined as dependent variables in the mediation process. Organizational justice was examined as the employee perception of whether the HRM systems adopted and implemented within the four case study organizations succeeded in delivering distributive and procedural fairness (e.g. Bowen, Gilliland & Folger, 1999). The overall review of the extant literature highlights the considerable importance of organizational justice on the employee perception of fairness. More precisely, it highlights the vital role played by consistently carrying out HRM practices in enhancing organizational justice and the employee perception of fairness (e.g. Bowen and Ostroff, 2004). Employees are more likely to perceive HRM practices as fair if HRM practices are adopted and delivered in a consistent manner than they would if they were ineffectively implemented. Four items were used in measuring distributive justice (I am rewarded fairly for the amount of effort that I put into my job; I am rewarded fairly considering the responsibilities I have; I am paid fairly in view of my responsibilities, I am paid fairly in view of my experience). Conversely, procedural justice was measured by means of six items focusing on fairness in the process of employee related decision making, e.g., promotion and compensation,

(I believe the rewards given are fairly distributed; I believe the performance appraisal is transparent, not subject to bias or favouritism; I believe my bank is committed to ensuring equal promotion opportunities for all employees; I believe the selection for training is done efficiently without any bias or cronyism; the reward system implemented is based on fairness, not subject to bias; selection procedures are conducted fairly). All the items were assessed using a four-point Likert scale ranging from ‘strongly disagree’ to ‘strongly agree’.

The items of employee perceived distributive and procedural justice were subjected to a principal components analysis (PCA) with varimax rotation for each construct of interest and followed by a reliability test. The KMO measure of sampling adequacy was .665 for the perception of distributive fairness and .894 for that of procedural fairness, which were both beyond the suggested value of .6 (e.g. Pallant, 2010). In addition, Bartlett’s test of sphericity reached statistical significance ( $p < 0.05$ ) for both constructs, supporting the factorability of the correlation matrix. The principal components analysis indicated one component with eigenvalues exceeding 1, explaining 64.943% of the total variance of distributive fairness and 62.920% of the total variance for procedural justice respectively. The factor rotation revealed that items in both constructs were factored in one single common factor (see Tables 4.12 and 4.13). The four-item distributive justice scale showed an alpha value of .819, while the eight-item procedural justice scale showed an alpha value of .880, indicating high inter-correlation between the items.

**Table 4.12: Results of the factor analysis of employees’ perceived distributive fairness using Varimax rotation**

Item No.	Items	Factor 1	Alpha
1	I am rewarded fairly for the amount of effort that I put into my job	.848	<b>.819</b>
2	I am rewarded fairly considering the responsibilities I have	.828	
3	I am paid fairly in view of my responsibilities	.779	
4	I am paid fairly in view of my experience	.799	

Notes: (a)  $N = 1038$ . (b) Extraction Method: Principal Component. (c) Analysis Rotation Method: Varimax



**Table 4.13: Results of the factor analysis of employees' perceived procedural fairness using Varimax rotation**

Item No.	Items	Factor 1	Alpha
1	I believe the rewards given are fairly distributed	.872	<b>.880</b>
2	I believe the performance appraisal is transparent, not subject to biased or favouritism consideration	.858	
3	In promotion I believe the bank is committed to ensuring equal opportunities for all employees	.822	
4	I believe the selection for training is done efficiently without any bias or cronyism	.790	
5	The reward system implemented is based on fairness, not subject to biased consideration	.762	
6	Selection procedure is conducted in a fair manner	.630	

Notes: (a)  $N = 1038$ . (b) Extraction Method: Principal Component. (c) Analysis Rotation Method: Varimax

#### ***4.11.5 Employee Perceived Organizational Commitment***

In the mediation analysis, this variable was used as a dependent variable. Organization commitment is referred to as the psychological attachment of the employees to their workplace (Meyer & Allen, 1991, p. 67); it is focussed upon because it is considered to be an important predictor of desired employee behaviour and performance (Sanders, Dorenbosch and de Reuver, 2008). The construct was developed with three items and the response was measured on a four-point Likert scale ranging from 'strongly disagree' to 'strongly agree'. The three items (working for my bank makes me proud; working for my bank is enjoyable and I intend to stay for the foreseeable future; working in this bank has given me the confidence to recommend it to friends and colleagues) were subjected to principal components analysis (PCA) with varimax rotation. The suitability of the data for factor analysis was assessed and the KMO was 0.784, while Bartlett's test of sphericity reached the statistical significance level ( $p < 0.05$ ). Table 4.14 shows the results of the factor analysis of these items. All three items of the organizational commitment were factored as one major factor, explaining 83.292% of the total variance. The alpha coefficient's value of the three items was .899, suggesting high internal consistency between the items.

**Table 4.14: Results of the factor analysis of organizational commitment using Varimax rotation**

Item No.	Items	Factor 1	Alpha
1	Working for this bank makes me proud	.924	.899
2	Working for this bank is enjoyable and I intend to stay for the foreseeable future	.914	
3	Working in this bank has given me the confidence to recommend it among friends and colleagues	.899	

Notes: (a)  $N = 1038$ . (b) Extraction Method: Principal Component. (c) Analysis Rotation Method: Varimax

#### **4.11.6 Common method variance**

One of the main contributions of this study is represented by the collection and analysis of data gathered solely from employees that reflect their experience and perception of HRM practices adopted and implemented at the organizational level; however, the risk of common method bias can be expected as the predictor and outcomes are measured by the same employees (Podsakoff *et al.*, 2003). Accordingly, this may affect the validity of the result. Podsakoff and colleagues identified two primary ways for tackle this issue: ‘the design of the study procedures’ and/or ‘statistical controls’. To address this issue, in the design of this research and as described in the development of the survey, to encourage the employees to provide answers that would be as honest as possible, they were given assurances of anonymity and that there were no right or wrong answers.

I also measured the common method variance statistically using Harman’s single-factor test, which is one of the most widely used techniques (Podsakoff *et al.*, 2003). According to this approach, the common method variance would be obtained either by ‘(a) a single factor emerging from the factor analysis or (b) one general factor accounting for the majority of the covariance among measures’. The results of the principal component analysis revealed that that there are 10 factors with an eigenvalue above 1, which, altogether, account for 68.188% of the total variance. In addition, the results also revealed that the most covariance explained by a single factor was

40.368%, a high percentage that, however, does not account for the majority of the variance. These results indicated that common method bias would not represent an issue in the analysis.

#### **4.11.7            *Control Variables***

A number of standard control measures that could influence employee experience and perception were included in the analysis. Prior studies had found a positive relationship between the personal characteristics of employees and their attitudes and behaviours within their organizations towards HRM practices, job satisfaction, and commitment (e.g. Chang, 2005; Edgar & Geare, 2004; Huang & Gamble, 2011). Seven variables were identified in this thesis: gender, age, tenure, education, marital status, occupation and nationality. Each of these variables was measured on an appropriate scale, for which, in some cases, the respondents were asked to select an option (e.g. gender), and, in others, were asked to write their answer to an open question (e.g. age and tenure). Gender was a dummy-coded variable, with 0 for male and 1 for female. Prior research had shown contradictory results in the relationship between gender and employee related outcome. Edgar and Geare (2004) found a significant relationship between gender and employee perceptions of equal opportunities, with women rating equality as being of higher concern than did men. In a society such as Saudi Arabia's, where gender segregation is practiced, it is very important to control the gender variable, as this can reflect on employee experience and perception of the adoption and implementation of HRM practices and of its relationship with ownership patterns (Ali, 2009; Chang, 2005). In addition, age and tenure were measured as continuous variables. As employees get older, they are more likely to achieve higher positions; this reflects on their perceptions of HRM and of organizational justice in their organizations (e.g. Chang, 2005). Education level was entered as 0 for lower education and 1 for higher education. It can be argued that highly educated employees are more likely to have less commitment compared to employees with lower education. For instance, Mowday *et al.* (1982, p.30) stated that "this inverse relationship may result from more educated individuals harbouring expectations that the organization may be unable to meet".

Marital status was dummy-coded, with 0 unmarried and 1 married. Because married employees have more obligations towards their families, they are more likely to commit to their workplaces (e.g. Mathieu & Zajac, 1990). In this thesis, the researcher controlled for occupational groups at the head offices and branches. Employees in branches may be exposed to similar HRM practices implemented in different ways. For example, unlike their colleagues at headquarters, employees working in branches are evaluated on their performances, based on their sales of the bank's products, and are rewarded on a monthly basis. Lastly, the nationality background of the respondents was coded as Saudi = 0 and non-Saudi = 1. It has been argued that foreign employees in the banking industry tend to be hired for their experience and to fulfil particular jobs that cannot be suitably occupied by local employees. This is more likely to enhance social compression between the two groups that can influence the employee experience and perception of the adoption and implementation of HRM practices which can damage their perception of the bank procedural and distributive fairness (Mellahi, 2006; Leung & Kwong, 2003; Chen, Choi, & Chil, 2002). In this perspective, it has been argued that creating desirable outcome (i.e. fairness perception) in one group of employees may lead in return to affect other group of employees (i.e. unfairness perception) (e.g. Oltra, Bonache, & Brewster, 2013; Brewster *et al.*, 2014).

#### **4.12 Ethical Issues in Research**

Ethical issues in research refer to the appropriateness or acceptability of researcher behaviour throughout the research in relation to the rights involved in or affected by it (Saunders *et al.*, 2012; Bryman & Bell, 2011). The self-completed questionnaire was distributed internally, with a covering letter, by the HRM department and/or line managers. Considerable importance was attached to the covering letter because it has been argued that it would affect the respondents' decisions about whether to take part, which, in turn, would affect the response rate (Saunders *et al.*, 2007). The letter contained a clear explanation of the purpose of the research and highlighted the confidentiality and anonymity of the information provided and of the results obtained.

Furthermore, the covering letter also expressed appreciation for the participation and the researcher's contact details. During the stage of the analysis of the quantitative data, the researcher had to maintain objectivity to ensure that there was no misrepresentation of the data by refraining from being selective over which data it was appropriate to report. Lack of objectivity may result in misrepresentation of the conclusions and recommendations (Saunders *et al.*, 2012). The interviews were also conducted in a similar vein. Before beginning, the researcher clearly explained the purpose of the research and his background. The participants were assured about the confidentiality and anonymity of the data provided and were told that they had the right to decline answering any questions and to withdraw at any time during the process. They were also reassured that there were no right or wrong answers in the interview. No names were mentioned during the interviews, nor any data were disclosed without participant consent. Furthermore, audio recording was only used subject to the interviewees' permission. The aim of this process was to engage the respondents in the interviews and enable them to freely express their opinions with trust and confidence. At the end of the interviews, the respondents were asked whether they needed a copy of the transcription to check the information.

#### **4.13 Chapter Summary**

The aim of this chapter was to present the methodology and methods adopted in this study. As has been discussed, this study is interpretive in nature, adopting a combination of methods: qualitative and quantitative. Throughout the chapter, the details of each of the methods and of the procedures and processes behind them were discussed. As noted earlier, the process of adoption and implementation cannot be easily captured by means of a questionnaire survey; the latter needs to be supplemented by in-depth interviews. In addition, due to time and budget constraints, the research design of this study is cross-sectional, which enables the researcher to collect the data at a specific point in time. Subsequently, the sample design and procedures as well as the responses were all touched upon. The chapter also highlighted reliability and validity issues; these were

followed by details of the measurement development to provide a foundation for the next chapter.

Lastly, issues related to ethical considerations were also discussed.

The following two chapters present the data analysis.

## **CHAPTER FIVE**

### **ADOPTION AND IMPLEMENTATION OF HIGH-PERFORMANCE HRM PRACTICES**

#### **5.1 Introduction**

In this chapter, the results of the statistical analysis are presented. The purpose of the data analysis was to examine the relative importance of the effective adoption and implementation of high performance HRM practices. This was done based on the employee experiences of these practices and their mediatory influence between ownership patterns (international joint venture banks versus local banks) and employee perception outcomes, including those on HRM effectiveness, organizational fairness, and organizational commitment. Drawing on the existing literature, it is reasonable to assume that employees in international joint venture banks are more likely to experience and perceive the effective adoption and implementation of HRM practices, compared to the employees of local Saudi banks. The results presented in this chapter are derived from analysing the data obtained from a survey of 1,038 employees of the two sets of banks-four case study banks operating in Saudi Arabia. The data analysis was aimed at addressing the following objectives:

- To establish the extent to which ownership patterns (international joint venture banks versus local banks) are related to employee perception of HRM effectiveness, organizational fairness, and organizational commitment.
- To examine the extent to which ownership patterns (international joint venture banks versus local banks) are related to the effective adoption of high performance HRM practices, as experienced by the employees.

- To examine whether there is a relationship between employee experience of high performance HRM practices and employee perception of HRM effectiveness, organizational fairness, and organizational commitment linked to the effective implementation of HRM practices.
- To examine the extent to which employee experience of high performance HRM practices mediates the relationship between ownership patterns (joint venture banks versus local banks) and employee perceived HRM effectiveness, organizational fairness, and organizational commitment.

The survey was supplemented with individual interviews conducted with 16 employees and a group interview conducted with three employees. This was done to provide an in-depth analysis of the experience and perception of the examined HRM variables. In addition, this chapter also provides evidence relating to some HRM practices collected from the HR managers to highlight their perspective on the adoption of those practices. The chapter starts with an explanation of the procedures adopted for the mediation analysis, which are based on Baron and Kenny's (1986) three steps of analysis; this is followed by the details of the tests that were used to examine the significance of the analysis results. In the last section of the chapter, a reminder of the measurement is provided and the results of the impact of the control variables in the model are presented. The empirical findings revealed that there is a significant positive direct and indirect relationship between ownership patterns and employee perceptions of the variables under investigation, through the mediatory role of the employee experiences of high-performance HRM practices. In addition, the evidence based on the interviews with the employees also supports the statistical findings. In this chapter, the results were obtained through a series of hierarchical multiple regressions. The results are presented in several tables representing each step of Baron and Kenny's mediation analysis. In all the multiple regressions, the control variables were entered

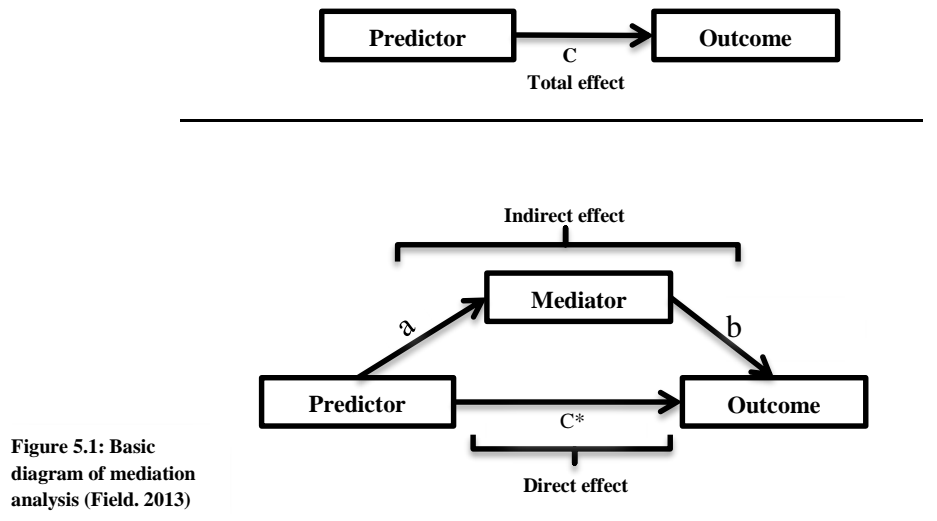


into the regression first, followed, where relevant, by the predictor and the mediator. In addition, the correlation matrix table is attached in appendix three.

## **5.2 Statistical Procedures of the Analysis**

As noted in chapter two, previous studies on HRM in international joint ventures (IJVs) had neglected the employee perspective of the adoption and implementation of HRM practices in foreign subsidiaries. Based on managerial data, the researchers interested in this strand had usually examined the degree to which HRM practices resembled those of MNCs and/or had adapted to local practices in international joint ventures, although existing research had provided evidence of the existence of a mixture of both localization and standardization of HRM practices (e.g. Namazie, 2003; Bjorkman & Lu, 2001). In addition, the existing research had also shown that foreign-owned enterprises face lower institutional pressures compared to local firms (Law, Tse, & Zhou, 2003; Warner, 2004), suggesting that HRM practices in foreign-owned enterprises are more likely to follow MNC standards of HRM practices. As a result, it can be argued that international joint venture banks are more likely than local Saudi ones to effectively adopt high performance HRM practices, which are thus experienced by their employees, and may seek to transfer them from their parent company. On the other hand, it may be argued that local Saudi banks are less effective in adopting high-performance HRM practices because of their host environment pressure, resulting in their employees experiencing these practices less. In addition, joint venture banks, due to internal learning and to the involvement of their parent company, are more likely to effectively implement HRM practices, resulting in their employees perceiving HRM practice effectiveness, organizational fairness and organizational commitment more than employees of local firms. Therefore, the employee experience of high performance HRM practices resulting from their effective adoption and implementation mediates the relationship between ownership patterns (international joint venture banks vs. local Saudi banks) and

employee perception of HRM effectiveness, fairness and organizational commitment. In order to evaluate this mediatory effect, I performed Baron and Kenny's (1986) three-stage analysis procedures (see figure 5.1).



The first step in following Baron and Kenny's procedures to measure the effectiveness of mediation was to assess whether there is a direct relationship between the predictor (ownership pattern) and the outcome (employee perception of HRM outcomes) before controlling for the mediator (employee experience of high performance HRM practices). This constitutes the total effect (path  $c$  in the figure). The second step shows the effects of the independent variable on the presumed mediator. The presumed mediator becomes the dependent variable and is predicted by the predictor variable (Path  $a$  in the figure). The significant coefficient obtained here establishes the first component that contributes to the *indirect* effect of ownership patterns on the employees perception outcomes. The third step shows the relation between the dependent variable (employee perception outcomes), and both the predictor and mediator. The regression coefficient for the predictor (ownership pattern) obtained here would provide us with Path  $c'$  in the figure (direct effect). The significant coefficient for the mediator (employee experience of high performance

HRM practices) provides us with Path *b* in the figure, which establishes the second component that contributes to the *indirect* effect. It is important to differentiate between direct and indirect effect. While the direct effect is the relationship between the predictor and the outcome controlling for the mediator (Path *c'*), the indirect effect (named as the amount of the mediation/mediatory effect) is the relationship between the predictor and the outcomes through the mediator (the product of path *a* \* *b* in fig 6.1).

The mediating role played by the employee experience of high performance HRM practices can take two forms – full (complete) or partial. As suggested by Baron and Kenny (1986), complete mediation requires four conditions to be satisfied. Firstly, the predictor variable must significantly predict the outcome variable (link *c* in the figure above and step 1), meaning that the ownership pattern in international joint venture banks must significantly affect the employee related outcome. Secondly, the predictor variable must significantly predict the mediator (link *a* in the figure above and step 2), meaning that ownership pattern must significantly influence the high performance HRM practices experienced by the employees. Thirdly, the mediator must significantly predict the employee related outcome while controlling for the predictor (link *b* in the figure above and step 3), meaning that high performance HRM practices must significantly influence employee perception outcomes. Thus, all three steps have to prove to be significant to establish that the mediatory effect is possible or likely to obtain. Lastly, full mediation will occur when the effect of the predictor variable on the dependent variable becomes non-significant, meaning that the impact of ownership pattern on employee perception outcomes loses its significance when controlling for the experience of high-performance HRM practices. This means that the entire effect of the predictor on the outcome is transmitted through the mediator (James & Brett, 1984). Partial mediation occurs when the first three conditions are satisfied, but the influence of the predictor retains significant and the value reduced (Path *c'* in step 3). This means that the independent variable influences the dependent variable both directly and indirectly. Lastly, if any

of these conditions explained above are not satisfied, there is no mediatory effect (Baron & Kenny, 1986).

### **5.3 Testing for significance of the indirect effect**

Although Baron and Kenny's steps are widely used to test mediatory effects, the technique has its limitations. It has been argued that this measurement might not be precise enough to accurately establish the mediatory effect (e.g. Field, 2013; Holmbeck, 2002). For instance, Holmbeck (2002, p. 88) stated that "a drop from significance to non-significance may occur... when a regression coefficients drops from .28 to .27 but not when it drops from .75 to .35". In other words, a reduction of the regression coefficients might be obtained when the mediator variable is entered into the regression due to the reduction in the magnitude between the variables rather than because of a significant mediatory effect. Therefore, the author urged the testing of the significance of the mediatory effect (the indirect effect in the figure above).

In a similar vein, Preacher and Hayes (2004) shared a similar view of the importance of formally testing the mediatory effect to avoid Type 1 and 2 errors. For instance, researchers are more likely to make Type 1 errors when entering a mediator into the model which causes a very small change such as changing the statistically significant relation between the predictor and the criterion variable to non-significant, especially in large sample sizes, where small regression weights are statistically significant. Therefore, I supplemented the Baron and Kenny steps with the measurement of the statistical significance of the indirect effect before asserting either full or partial mediation. In other words, before concluding the relationship to be partially or fully mediated, it was important to establish whether any reduction in the variance of the criterion variable which could be explained by the predictor was significant.

Various approaches have been identified in the literature for measuring the significance of the mediatory effect, such as the Sobel test and the bootstrapping re-sampling effect. Each of these

tests has its strengths and weakness. The Sobel  $z$ -statistic test is a formal test of significance that examines the relationship between a predictor and a dependent variable compared to their relationship in the presence of a mediator. If the  $z$  value exceeds 1.96 ( $p < 0.05$ ), the mediatory effect is supported. The test requires a large sample size and the data to have a normal distribution.

MacKinnon *et al.* (2002) suggested that a sample size of 1,000 is required to detect a small effect. The bootstrapping method calculates the indirect effect as an estimate of the maximum possible indirect effect that can occur in a given study. This method provides an estimate of the effect and a range (upper and lower) for the confidence interval. The technique produces a confidence interval (conventionally 95%) for the indirect effect. If the confidence interval includes zero, the indirect effect is non-significant. As it provides the magnitude of the indirect effect, the bootstrapping method is often deemed to be preferable to the Sobel test; however, in this thesis, both approaches were adopted in measuring significance.

## **5.4 Measurement Used in the Mediation Analysis**

Six variables were developed in order to test the mediation analysis. The predictor (ownership patterns) was developed as a dummy-coded variable, with 0 for local Saudi banks and 1 for joint venture ones. Furthermore, seven variables were identified in this thesis: gender, age, tenure, education, marital status, occupation and nationality. Each of these variables was measured on an appropriate scale, for which, in some cases, the respondents were asked to select an option (e.g. gender), and, in others, were asked to write their answer to an open question (e.g. age and tenure), (as explained in chapter four section 4.12.7). The mediator variable (employee experience of high performance HRM practices) was developed by taking the average of seven HRM practices. The seven HRM practices were subjected to factor analysis (principle components with varimax rotation) and the result confirmed one factor accounting for 54.40% of the total variance. When the variables were scaled together, the result showed a high level of internal consistency, with a

Cronbach alpha coefficient of .856. As explained in chapter 4, an additive approach was also used for the employee-perceived effectiveness of high performance HRM practices. When the seven HRM practices were factored, the result showed that one main factor accounted for 57.17% of the total variance. The bundle also exhibited an acceptable level of internal reliability, with an alpha coefficient of .870. The factor analysis (PCA) of the variables of employee-perceived organizational fairness and organizational commitment also confirmed one major factor as all the items for each of the constructs loaded in one factor explained 64.94% of the total variance of employee perceived distributive fairness, 62.92% of the total variance of employee perceived procedural fairness, and 83.29% of the total variance of organizational commitment, respectively. The internal consistency of each of the three constructs was above the acceptable level (in the same order) .819, .880 and .899, providing support for the formation of the constructs.

## **5.5 Employee-perceived HRM Effectiveness**

The key argument of this section is that the effective adoption and implementation of high performance HRM practices is more likely to result in a greater perception of HRM effectiveness in international joint venture banks than it is in local Saudi ones. As a result, the following hypothesis was developed:

*H1* Employee experience of HRM practices due to their effective implementation will be significantly higher in IJVs than in local firms operating in Saudi Arabia.

In examining this relationship, I conducted a series of hierarchical multiple regressions to examine the mediatory effect of employee experience of high performance HRM practices between ownership patterns (international joint venture vs. local banks) and employee-perceived effectiveness of high performance HRM. The results are presented in tables 5.1 (showing path *c*), 5.2 (showing path *a*), 5.3 (showing path *b*), and 5.4 (showing path *c'*) which indicate the final step

of the process to examine the effect of the predictor (ownership patterns) on the dependent variable (employee-perceived effectiveness of high performance HRM), while controlling for the mediation (employee experience of high performance HRM practices index), as suggested by Baron and Kenny (1981). In all tests, the control variables were entered into the regression first, followed, where relevant, by HRM experience and ownership pattern (international joint venture vs. local banks).

<b>Table 5.1: Direct effect of ownership patterns on employee perceived HPHRM effectiveness (path c)</b>				
<b>Variables</b>	<b>Standardized Beta Coefficients and t value</b>			
	<b>Model 1</b>		<b>Model 2</b>	
	<b>(<math>\beta</math>)</b>	<b>t</b>	<b>(<math>\beta</math>)</b>	<b>T</b>
<b>Control variables</b>				
Gender (Male = 0)	-.006	-.196	-.034	-1.067
Age	-.021	-.434	-.016	-.337
Tenure	-.013	-.305	-.032	-.752
Education (uni-graduate = 0)	.003	.108	-.026	-.806
Marital Status (Married = 0)	.039	1.143	.033	.976
Nationality (Saudis = 0)	<b>.191***</b>	5.543	<b>.174***</b>	5.167
Bank section (Branch = 0)	.003	.110	-.015	-.487
<b>Independent variable</b>				
IJVs vs. LOs (local bank = 0)			<b>.225***</b>	7.406
$R^2$	.035		.084	
$R^2$ change	.035		.049	
F	5.358		11.789	
Notes: (a) $N = 1038$ ; (b) the DV measured as a continuous variable, 1: strongly disagree; 4: strongly agree. (c) * $p < .10$ . ** $p < 0.05$ . *** $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices				

Table 5.1, shows path a as suggested by Barron and Kenny (1981). It represents the results of hierarchical multiple regressions of regressing employee-perceived effectiveness of high performance HRM practices on the ownership pattern (international joint venture vs. local banks) variable after controlling for both demographic and structural variables. The regression coefficients confirmed that there is a statistically significant positive relationship between ownership pattern and employee-perceived effectiveness of high performance HRM practices as shown in block two ( $\beta = .225$ ;  $t = 9.406$ ;  $p < .001$ ). This finding suggests that employees of international joint venture banks perceive high performance HRM practices to be more effective

as compared to those of local Saudi banks. In other words, employees of international joint venture banks are more satisfied with the high performance HRM practices implemented in their banks, compared to their colleagues in Local Saudi banks. The total variance explained in this model for employee-perceived high performance HRM practices effectiveness was 8.4% approximately and the introduction of ownership pattern (international joint venture vs. local banks) explained an additional 4.9% of the variance.

<b>Table 5.2: Direct effect of ownership patterns on employee experienced HPHRM practices (path a)</b>				
<b>Variables</b>	<b>Standardized Beta Coefficients and t value</b>			
	<b>Model 1</b>		<b>Model 2</b>	
	<b>(β)</b>	<b>t</b>	<b>(β)</b>	<b>T</b>
<b>Control variables</b>				
Gender (Male = 0)	.009	.290	-.021	-.666
Age	-.002	-.044	.074	.941
Tenure	.009	.197	-.012	-.285
Education (uni-graduate = 0)	.023	.715	-.009	-.286
Marital Status (Married = 0)	.032	.922	.025	.734
Nationality (Saudis = 0)	<b>.176***</b>	5.073	<b>.157***</b>	4.662
Bank section (Branch = 0)	.016	.500	-.005	.152
<b>Independent variable</b>				
IJVs vs. LOs (local bank = 0)			<b>.250***</b>	8.229
<i>R</i> <sup>2</sup>			.090	
<i>R</i> <sup>2</sup> change			.060	
<i>F</i>			12.654	
Notes: (a) <i>N</i> = 1038; (b) the DV measured as a continuous variable, 1: strongly disagree; 4: strongly agree. (c) * <i>p</i> < .10. ** <i>p</i> < 0.05. *** <i>p</i> < 0.01. (d) HPHRM: refer to high performance HRM practices				

Table 5.2 shows the Step 2 (path a) which examined the relationship between the predictor and the mediator, which corresponds to the first component of the indirect effect (path a) in table 5.1 above. It was found that the demographic and structure control variables in the first block account for 3% of the variance in the dependent variable of employee-perceived effectiveness of high performance HRM practices. After the entry of the ownership patterns (international joint venture vs. local banks) at the second block, the total variance explained by the model as a whole was 9%. The results mandate that the independent variable, ownership pattern (international joint venture vs. local banks), has a significant positive association with the dependent variable, employee experience of high performance HRM practices ( $\beta = .250$ ;  $t = 8.229$ ;  $p = .001$ ). This result indicates



that employees of international joint venture banks experience the effective adoption of high performance HRM practices more than employees of local Saudi banks.

**Table 5.3: Effect of employee experienced of HPHRM practices on employee perceived HPHRM practices (Path *b*) effectiveness, while controlling for ownership patterns (Path *b*)**

	<i>Standardized Beta Coefficients and t value</i>					
	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>T</i>
<b><i>Control variables</i></b>						
Gender (Male = 0)	-.006	-.196	-.034	-1.067	-.015	-1.109
Age	-.021	-.434	-.016	-.337	-.019	.973
Tenure	-.013	-.305	-.032	-.725	-.021	-1.184
Education (uni-graduate = 0)	.003	.108	-.026	-.802	-.017	-1.315
Marital Status (Married = 0)	.039	1.143	.033	.976	.010	.742
Nationality (Saudis = 0)	<b>.191***</b>	5.543	<b>.174***</b>	5.167	<b>.031**</b>	2.208
Bank section (Branch = 0)	.003	.110	-.015	-.487	-.011	.839
IJV vs. Local (local bank = 0)			<b>.225***</b>	7.406	-.002	.187
<b><i>Independent variable</i></b>						
Experienced HPHRM					<b>.913***</b>	70.249
<b><i>Regression model summary</i></b>						
R <sup>2</sup>	.035		.084		.842	
Adj. R <sup>2</sup>	.029		.077		.841	
R <sup>2</sup> change	.035		.049		.758	
F	5.358		11.789		609.043	

Notes: (a) *N* = 1038; (b) the DV measured as a continuous variable, 1: strongly disagree; 4: strongly agree.

(c) \*  $p < .10$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices

Table 5.3 displays the relationship between the mediator and the criterion variable controlling for the predictor variable, along with other demographic and structural variables. This outcome constitutes the second component of the indirect effect. The results showed that the total variance in employee-perceived effectiveness of high performance HRM practices explained by the model was 84.2%. The introduction of employee experienced high performance HRM practices explained an additional of 75.8% of the variance. The regression coefficient confirmed that there is a significant positive relationship between employee experience of high performance HRM practices and employee-perceived effectiveness of HPHRM practices ( $\beta = .913$ ;  $t = 70.249$ ;  $p < 0.01$ ). This result shows that the effective implementation of high performance HRM practices is more likely to result in a higher perception of their effectiveness. In other words, the more

effective the implementation of high performance HRM practices is, the more the effectiveness of said practices is perceived.

**Table 5.4: Effect of ownership pattern on employee perceived HPHRM practices effectiveness, while controlling for employee experienced HPHRM practices (Path c')**

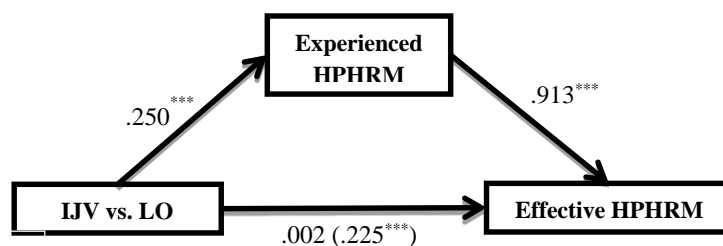
	<i>Standardized Beta Coefficients and t value</i>					
	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>T</i>
<b><i>Control variables</i></b>						
Gender (Male = 0)	-.006	-.196	-.015	-1.140	-.015	-1.109
Age	-.021	-.434	-.019	-.971	-.019	-.973
Tenure	-.013	-.305	-.012	-1.198	-.021	-1.184
Education (uni-graduate = 0)	.003	.108	-.018	-1.348	-.017	-1.315
Marital Status (Married = 0)	.039	1.143	.010	.738	.010	.742
Nationality (Saudis = 0)	<b>.191***</b>	5.543	<b>.031**</b>	2.204	<b>.031***</b>	2.208
Bank section (Branch = 0)	.003	.110	-.011	.858	-.011	.839
Experienced HPHRM			<b>.912***</b>	72.509	<b>.913***</b>	70.249
<b><i>Independent variable</i></b>						
IJV vs. Local (local bank = 0)					<b>-.002</b>	-.187
<b><i>Regression model summary</i></b>						
R <sup>2</sup>	.035		.842		.842	
Adj. R <sup>2</sup>	.029		.841		.841	
R <sup>2</sup> change	.035		.807		.000	
F	5.358		689.812		609.043	

Notes: (a) *N* = 1038; (b) the DV measured as a continuous variable, 1: strongly disagree; 4: strongly agree.

(c) \*  $p < .10$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices.

As can be seen, the first three steps required for establishing a mediatory effect, as suggested by Baron and Kenny (1981), were satisfied. There was a significant relationship between the predictor and the dependent variable, the predictor and the mediator, and the mediator and the criterion variable. Table 5.4 represents the final step of the mediatory effect. This step examines the effect of ownership pattern (international joint venture versus local banks) on employee-perceived effectiveness of high performance practices when the indirect path via employee experience of high performance HRM practices is introduced into the model and controlled for along with other control variables. The hierarchical multiple regression analysis in Table 5.4 indicates that the introduction of the experienced high performance HRM practices variable mediates the relationship between the ownership pattern variable and employee-perceived effectiveness of high performance HRM practices. The beta coefficient for the direct path between ownership patterns and employee-perceived effectiveness of high performance HRM practices

was .225 ( $p < .01$ ) in model 1 (Table 5.1) and dropped to ( $\beta = -.002$ ;  $t = -.187$ ;  $p > .01$ ) after the inclusion of the experienced high performance HRM practices variable. The findings indicate that the relationship is no longer significant and the beta coefficient was reduced, confirming a mediatory effect. The significance and size of the indirect effect was measured using of both the Sobel and bootstrapping methods. The  $z$  value for the indirect effect relationship between ownership pattern and employee-perceived effectiveness of high performance HRM practices through the employee experience of high performance practices was 8.17 ( $p = 0.000$ ) which exceeds the required value of 1.96 suggested by Sobel (1981). The results of the bootstrapping method with 95% confidence interval applied to the indirect effects and 1,000 bootstrap resamples confirmed that there is a significant mediating role of employee experienced high performance HRM practices in the relationship between ownership pattern and employee-perceived high performance HRM practices effectiveness ( $\beta = .2540$ ; CI = .1929 to .3207). Therefore, these results indicate that the experienced high performance HRM practices have a significant full mediatory effect on the relationship between ownership pattern and employee-perceived high performance HRM practices effectiveness. Thus, the effective adoption and implementation of high performance HRM practices is essential to achieve a higher perception of the effectiveness of high performance HRM practices. In other words, the effective adoption and implementation of high performance HRM practices result in a higher perception of their effectiveness. Figure 5.2 displays the results.



**Figure 5.2:** The indirect effect of ownership pattern on employee-perceived HPHRM effectiveness through employee experienced HPHRM. \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ .

The employee interview data confirmed the statistical results. The overall results show that the effective adoption and implementation of high performance HRM practices experienced by employees results in a higher perception of the effectiveness of high performance HRM practices. The interview data reveal a variation in the employee experience of individual high performance HRM practices between international joint venture banks and local Saudi ones.

Before discussing the employee experience and perception of high performance HRM practices, it is important to provide some foundation of the HRM practices adopted in joint venture and local banks from a managerial perspective.

### ***Recruitment and Selection***

The HR managers that were interviewed argued that several recruitment channels are adopted within the banks, such as the bank website, the international Saudi student job fair, and the media, to attract suitably-qualified employees. Furthermore, they noted that they adopt various selection techniques, including a series of interviews and online tests (e.g. English test, Psychometric test), but the international joint venture banks emphasise the competency-based model in the interviews, which a policy transferred from the parent company. This technique ensures that the candidate has the minimum requirements and expectations regarding personality, skills, and abilities. Thus, the interview concerns several aspects such as communication, leadership, sustaining, and mobilization. As this technique is new to the local market, the recruiters are trained by expatriates in conducting this series of interviews.

### ***Training and Development***

HR managers argued that the banks are investing a considerable amount of money in internal and external training for all employees. The banks perform a training needs analysis (TNA) and develop a training matrix to identify individual needs. The aims of these tools are to ensure, firstly, that the training provided is coherent with current and future needs and secondly, it is associated

with both job requirements and individual aspirations. While local banks outsource their TNA to external consultants, joint venture banks adopt the TNA of their parent firms with the help of expatriates to operationalise its policy. E-learning programmes are also adopted across the banks. While those of local banks are simple and cover soft skills courses (e.g. money laundering), in the sampled international joint venture banks, and more precisely in one of them, a top class E-learning programme was transferred from the parent company and adopted, as its covers various training courses. In addition, international joint venture banks have also adopted attachment training programmes. The aim is to provide employees with a 360-degree view of how things are done in all individual work-related duties. Employees are assigned where relevant, either internally across different departments and/or externally among foreign partners.

### ***Performance appraisal***

Not surprisingly, the interview data shows that all the participating banks in this study adopted competency models (either through key performance indicators or balanced scorecards) as required by the Saudi Arabian Monetary Agency. In responding to this requirement, international joint venture banks relied on their foreign partners to develop their systems, while local Saudi banks adopted their policies from external resources. The four banks provide their employees with an annual performance appraisal system coupled with informal or continuous evaluation during the year. In this perspective, the interviewed HR managers argued that the objectives have to be achievable, measurable, connected to time, and discussed with and agreed by the employees. In addition, the banks also claimed that, in evaluating, they avoid any undue personal influence and ensure fairness to all employees. The appraisals are carried out by the line managers in local banks but are conducted by a committee of more than one manager from the same division (calibration method) in international joint venture banks. This calibration technique is one of the policies transferred and adopted from the parent companies. Lastly, the HR managers claimed that their

internal consistency and performance systems are linked with other HRM practices, such as promotion, compensation and training needs.

### ***Channel of Communication and Employee Participation***

The qualitative data indicate the banks have adopted two-way communication through various means, including downward information sharing via the bank's intranet, newsletters and emails. In addition, regular formal meetings are held within departments and yearly ones involving all employees. International joint venture banks have adopted formal quarterly face-to-face conversations, during which the managing directors (MD) of the top management team meets groups of employees to discuss the bank's strategy and performance, and provide information relevant to the issues relevant to each specific group. Besides the formal quarterly meetings, the banks adopt an open door policy, and engagement survey for upward communication, and suggestion schemes. In the suggestions schemes, all ideas and concerns are taken into consideration and employees are encouraged and rewarded for their valued suggestions. Drawing on the HR managers' data, it appears that both joint venture and local banks claim to have adopted similar HRM practices with international joint venture banks having an edge over local Saudi banks. These results are also in line with some of the existing literature, which states that foreign subsidiaries are more likely to standardize some of their HRM practices with those of their parent companies (e.g. Namazie, 2003, Gamble, 2003).

From an employee perspective, there appears to be variation between international joint venture and local Saudi banks in the employee experience and perception of the high performance HRM practices that managers claim to have adopted. For instance,

### ***Recruitment and Selection***

When employees were asked about their experience of the job selection process, the variation between international joint venture and local Saudi banks reflected the length of the process and

the adoption of technological trackers of the applications. For example, the long process and comprehensive procedures reported by the employees of the international joint venture banks involved various tests (e.g. psychometrics and language tests) and interviews. The main interview tends to be carried out by a HRM department panel and is associated with various tests. During the process, some employees (more precisely those with less than three years' experience) mentioned that they were able to track their application, view the comments made about their interviews and the results of the tests. If the employees successfully pass this process, panels from the relevant departments carry out another interview more related to their specific job roles. The following quote is indicative of the selection procedures in the international joint venture banks reported by one of the employees:

*I thought I was not going to get the job. It was a very long procedure with multiple interviews in English and Arabic along with different tests, but it was worth it. During the process, I was given online access to check my application progress and feedback for each stage. (JVIEG1)*

This is in contrast with the practices of local Saudi banks, as was commented upon by their employees. The employees talked about having done direct interviews with the relevant departments, in one of which, psychometric tests were used, specifically in bank local one. Thus, the role played by the HRM department was only to screen the applicants. Furthermore, one of the issues emphasized by both local banks was the significant role played by personal influence in the process; this will be explained in further detail in the next section of this chapter. The following quote from one of the employees with three years of experience in one of the local Saudi banks is indicative:

*I put my CV on the bank website and, a few weeks later, I was asked by this department to come for an interview. I was interviewed by the GM for half an hour and, three months later, I received another call with an offer and details about the job. (LOIE3)*

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

The effective adoption of training and development in international joint venture banks as compared to local Saudi banks has bearing on the employees' experience of 'formal and informal training'. Formal training corresponds to providing work-related training and being engaged in the process of identifying training needs. The training needs assessment is carried out by the training unit of the HRM department. However, what differentiates local Saudi banks from international joint venture ones from an employee experience perspective is the ability to discuss and comment on the training provided and, more importantly, the linkage with individual performance. The following reply of one of the employees in an international joint venture bank about the achievement and relevance of training needs is indicative:

*At the beginning of the year, I discuss my objectives and my training needs with my line manager. During the year, if there were signs that I would not achieve an objective or my job required a skill I didn't have, I could raise a concern and ask for extra help. (JVIEG3)*

In contrast to those of international joint venture banks, the employees of the local Saudi banks who were interviewed reported that job related training is allocated by the HRM department with no employee involvement in the process. While, in local one, the line manager was also not involved in the process, due to the adoption of a training matrix, in local two, the line manager's role is to recommend participants based on a list of training opportunities developed by the HRM department for each division. There was agreement among the employees of the local one bank that at least one of the training courses they had attended was not directly relevant to the work they did. The following quote by one of the employees in bank local one who works for the bank for seven years is indicative:



*In the past, we used to have serious issues in allocating the training because the decision was made exclusively by our managers. Now, there is more training and we have started to receive training invitations by email but the problem has now become that we are not consulted about issues of relevance, at least to our current needs. I work in the finances department and do more government-related work, but the training I did was not about topics I need now and I don't even know whether I will need it in the near future. (LO1E1)*

Informal training was explicitly stressed by the employees of the international joint venture banks. They highlighted the significance of their direct interaction with foreign colleagues both within the banking sector and externally during attachment programmes. One of the employees, who had been working for the bank for more than five years, stated the following regarding his interaction with expatriates:

*Working with expatriates is very interesting. They have discipline and a great vision of our work. They walk around offering their help and you know that you can trust them. I had a problem with a project I was working on and I had to ask for help; for a moment, I thought he would say that it was my project and I would have to figure it out for myself, but he pulled up a chair and sat next to me to explain and didn't leave until he realized I'd learned more than one way to do it. (JV2E1)*

Attachment training programmes provide formal training and are undertaken by international joint venture banks to provide an opportunity for individual employees to mobilize within their jobs across related departments and internationally with their foreign partners for periods of up to a month. This is argued to be an important experience to gain new professional knowledge. The following remark, made by one of the employees of an international joint venture bank, is indicative:

*I went on a month-long attachment training programme in London and it was a very interesting experience. It was an amazing experience for my work, to get new ideas and ways of thinking about how things are done, and to see how well-structured and organised they are. (JVEG2)*

This variation between international joint venture and local Saudi banks in training and development – more precisely, the relevance of a training policy that reflects the employees needs

and is linked to individual performance – can be an indicator of the effective adoption of a training policy and, at the same time, enhance employee efficiency. The role of expatriates and the attachment programme are a vital form of informal learning that can enhance tacit knowledge and know-how, which is an important source of individual knowledge, also allowing local employees to develop by benefitting from the expatriates' experience.

### ***Performance Appraisal***

The employees' experience of performance appraisal, promotion prospects, and compensation vary between international joint venture and local Saudi banks in terms of the clarity of the policies and of their linkage to individual performance. One of the more notable differences in employee experience between international joint venture and local Saudi banks relates to performance management; more precisely, to the way in which individual objectives are developed and individually appraised. In the case of the local Saudi banks, the interviewed employees shared their concerns about the ambiguity of their objectives. This lack of clarity causes issues in employee self-learning, which hampers their general improvement. In addition, it also results in issues of transparency of the evaluation process. When the employees were asked about the evaluation method, they referred to the traditional boss-employee assessment and, in some cases, stressed their exclusion from the discussion and their inability to reject their evaluation rating. The following remark was made by one of the employees of a local Saudi bank:

*How can I know my strengths and weaknesses when I only do what I am asked? It's totally strange that we get evaluated at the end of the year but we don't even have formal written objectives or at least an indication of how are we going to be assessed. (LO1E2)*

The employee carried on, pointing out that:

*In my department, I receive my evaluation by email. I don't usually discuss it because the decision is always final. By the way, in the last two years, our GM has made sure to be on holiday during this period to avoid any discussion and our line manager's excuse is that he would need the GM's opinion. (LO1E2)*

Compared to the employee experience in local Saudi banks, the widespread importance of international joint venture banks in adopting a performance-driven culture has allowed employees to experience clarity in their assigned objectives and transparency in their evaluation. The interviewed employees mentioned that there a direct meeting is held with their line manager to discuss objectives during the developing process. These objectives come with certain conditions, as described by one of the international joint venture employees:

*I know my failure would be a failure for everyone else and, because of this, my supervisor and I need to discuss and agree upon the objectives. Of course, these objectives have to be ambitious to drive me that extra mile and differentiate me from the others but, at the same time, they have to be measurable and achievable. (JV1EG2)*

The assessment of international joint venture bank employees is well developed and new to the local market. When employees were asked to elaborate on the process, they indicated that they had experienced a calibration assessment, in which individual employee performance was evaluated by a panel of line managers from the same department. In some projects, this was also integrated with peer and subordinate evaluation. The aim behind the adoption of this complex technique was to ensure rating fairness. In addition, at the beginning of the year, employees are given online access to monitor their performance on a regular basis in the developing stages of the objectives. The employees also indicated that they are able to reject the evaluation. Therefore, employees in both international joint venture banks repeatedly shared their perception that their evaluations do not refer to individual line manager decisions.

### ***Promotion prospect and Compensation***

In terms of promotion (apart from available vacancies) and compensation, the linkage between individual performance appraisal and the decision-making process appear to be vital. While employees of international joint venture banks stressed the internal consistency between the practices, those of local Saudi banks emphasized serious issues of personal influence (favouritism)

in the process because the policies only involve senior and line manager decisions. One of the employees of bank local Saudi one explained the promotion process as being:

*A process that is far from being performance driven. Apart from your manager's decision, you don't have any idea of how promotion is decided. (LO1E4)*

Similarly, another employee in bank local Saudi two stated the following:

*Promotion is like a supersized gift; you don't know when and how you are going to be promoted. (LO2E2)*

Furthermore, by contrast to those of the local Saudi banks, one of the employees of the international joint venture banks related his experience of the promotion process:

*It's a simple formula, you will not get promoted or receive a bonus without a great performance and agreement among the calibrators. (JV1EG1)*

Regarding compensation shares, the employees also reported similar issues of lack of transparency and strong personal relationship influence in local Saudi banks. Therefore, with regard to those practices associated with employee motivation, such as promotion, compensation and performance appraisal, the variation in their effective adoption between international joint venture banks and local Saudi banks appears to be related to the experience of their clarity, of their linkage to performance appraisal, and of who is making the decisions. More importantly, the implementation of a performance driven culture and the role played by the calibrators can be seen to be the key vital tool in their effective adoption, compared to local Saudi banks, where decisions are all left to the line management.

### ***Channel of communication and Employee participation***

When the employees were asked about their experience of HRM practices associated with information sharing and employee participation, the variation between international joint venture and local Saudi banks appears to primarily involve upward communication and both the engagement of employees and the responses given to their suggestions. For example, the

downward flow of information among the two groups involves various methods, as reported by the employees, including intranet, emails and newsletters. The formal participation and upward communication of information for international joint venture banks is effected through means such as open door policies, regular quarterly meetings with the top managerial level of the banks (e.g. MD) where the employees of each business can ask and share directly. The international joint venture banks also adopt an engagement committee, responsible for all employees' activities and other fundamental issues, the members of which are elected by employees, and an engagement survey. Additionally, the banks also have a suggestions link on the internet that is checked regularly by the HRM department. The following interview quote vividly expresses the degree of employee participation and sharing in international joint venture banks:

*We are all fully updated about the bank's information and direction... and our voices and concerns are being listened to at work. We have an open-door policy from the highest (e.g. MD) to the lowest position with no closed rooms and no walls. Besides that, we have regular meetings with the MD and an engagement committee run by us which meets every two weeks to discuss any possible activity and any changes we suggest and need. (JVIEG3)*

Thus, it appears that international joint venture banks have created or are moving towards more flat hierarchies that promote more participation and involvement on the part of their employees. This is in contrast with local Saudi banks; the employees who were interviewed reported a perception of a highly hierarchal organization. For instance, the bank's annual meeting usually involves senior positions and particular grades. In addition, any open-door policy was experienced as being minimal, dependent on the willingness of line and senior managers' at the top of the bank hierarchy. Lastly, with regard to the engagement survey, the employees reported that it had not been distributed at least for the last three years in local Saudi one and two years in local Saudi two. There is also a direct link through the internet where employees can make their voices and concerns heard, but the usage of this suggestion scheme was experienced as being minimal and

responding to any suggestions was slower in local Saudi banks than joint venture ones. An employee of one of the local banks reported that:

*There is no encouragement to think in this bank. We know suggestions can be delivered through the bank intranet but I have never heard of anyone gaining recognition for a suggestion or, at least, of these suggestions being recognized. (LO2E1)*

In contrast to local Saudi banks, the following quote from an employee of international joint venture one is indicative:

*It's common to hear that colleagues have been rewarded for their suggestions. Our performance rating used to be black and white, ranging from 1 to 4. One of our colleagues suggested improving the rating range to become +/- (e.g. + 4 or -2) to provide a more accurate evaluation. The suggestion was accepted and the person was rewarded. (JV1EG2)*

Therefore, the variation of empowerment practices (two-way communication and participation) between international joint venture and local Saudi banks is an indicator of effective adoption. More precisely, unlike the employees of local Saudi banks, those of international joint venture banks have at their disposal various means of making their voices and concerns heard and, at the same time, get recognition of and responses to their suggestions.

### ***Employee perception of effectiveness***

The overall effective implementation of high performance HRM practices that is experienced by employees has also given rise to variations in the employee perception of its effectiveness (e.g. Nishi & Wright, 2007). Due to their effective implementation, the employees of the international joint venture banks reported a greater degree of perception of HRM practices than did their counterparts from the local Saudi banks. For example, although all the employees participating in this study indicated a degree of satisfaction at the amount of training and development opportunities available to them, some concerns were raised by the employees of the local Saudi banks about the relative lack of relevance of such opportunities. Local Saudi banks have recently adopted a training needs analysis which has reflected in employees having more training

opportunities. However, because the training openings are only identified by means of a training matrix based on job roles and without any direct consultation of the employees' needs and individual performances, the greater training opportunities provided are counterbalanced by a lower effectiveness of the training itself. The effectiveness of performance appraisal can be perceived through the clarity of its objectives and the dynamics of how the evaluation is carried out. The interviewed international joint venture banks' employees talked about their satisfaction with their involvement in the development of the objective defining process and with the reliability of the evaluation results, particularly with being encouraged to challenge the outcomes, which, all together, indicate the efforts made by the banks to deliver fair and accurate judgements of their employees' performance and foster a healthy workplace environment. In addition, the international joint venture banks' employees attached considerable importance to the link between evaluation and other practices, such as promotions and compensation, which reflect their achievement. This is down to two reasons. Firstly, it indicates that there is a clear promotion prospect policy based on available vacancies and individual performance, which ensures that the best candidates get promoted. Secondly, it acts as a motivating factor because the returns of compensation recognize individual effort. Furthermore, unlike the employees of the local Saudi banks, the international joint venture banks' employees reported their satisfaction with their employers' prompt reactions and responses to their suggestions and concerns, which reflect a sense of appreciation for their input, and encourage and support more creativity from the employees. Lastly, the international joint venture banks' employees highlighted the level of respect and support shown them by their line managers, reflecting a sense of teamwork. This was in contrast to the picture emerging from the local Saudi banks. The employees of both the international joint venture banks pointed out the ambiguities inherent to their processes that result in a lack of transparency and undue levels of personal relationship influence. Furthermore, an interesting point that was highlighted by local Saudi bank's employees was a call for a higher

degree of engagement on the part of the HRM department to ensure that equal opportunity policies are carried out by their supervisors. One of the local Saudi banks' employees pointed out:

*We don't have a healthy atmosphere in this bank because of the bad implementation of HRM practices. We are not very different from a public agency, despite the high income the bank earns every year; strangely, it feels as though the HRM department does not even exist.*  
(LO2E2)

The overall results show that there is variation in the adoption and implementation of high performance HRM practices between international joint venture and local Saudi banks. While both types of banks claim to have adopted high performance HRM practices, the statistical results and interview findings suggest that such practices have only been adopted effectively by international joint venture banks, as experienced by their employees. This result has two potential explanations. One: the gap between the local banks' employees' responses regarding their experiences and their managers' views and, two, the standardization of HRM practices with those of their parent companies in international joint venture banks. In addition, the statistical results and interview data indicate the considerable importance of effective implementation. The results show that the practices, as experienced by employees, vary between international joint venture and local Saudi banks as a result of the variations in their implementation. These variations result in differing perceptions of the practices' effectiveness, with the international joint venture banks having the edge over the local Saudi ones (Nishi & Wright, 2007; Khilji & Wang, 2006).

## **5.6 Employee-perceived Organizational Fairness**

The key argument in this section is that the effective adoption and implementation of high-performance HRM practices, as experienced by employees, can engender employee perceptions of organizational fairness (distributive and procedural). When examining this relationship, I conducted a series of hierarchical multiple regressions to assess the mediatory effect of employee experienced high performance HRM practices between ownership pattern (international joint



venture vs. local) and employee-perceived organizational fairness (distributive and procedural). The first three steps of the mediating process were reported in several tables, one for each of the dependent variables, followed by the final step of the process to examine the effect of the predictor on the dependent variable, while controlling for the mediation variable (employee experienced high performance HRM practices). In all cases, the control variables were entered into the regression first, followed, where relevant, by the experienced high performance HRM practices and bank ownership patterns (international joint venture vs. local).

### ***5.5.1 Employee-perceived distributive fairness***

Distributive fairness refers to the relationship between an individual's performance input in an organization and the degree of the compensation received. Distributive fairness can be attained through the effective adoption and implementation of high-performance HRM practices. In examining the relationship, the following hypothesis was developed:

*H3* Employee experience of HRM practices due to their effective enactment is more positively related to employee perception of distributive fairness in IJVs than it is in local firms operating in Saudi Arabia.

The relationship was examined through a series of multiple regressions. The first three steps were represented in Tables 5.5, 5.6, and 5.7, which indicate the coefficients and values of the hierarchical multiple regression. The aim of this table is to present the direct effect of ownership patterns (international joint venture vs. local) on employee-perceived distributive fairness, and on the mediator (employee experienced HPHRM practices). The table also presents the direct effect of the mediator on the dependent variable (perception of distributive fairness), controlling for demographic and structural variables. Table 5.8 shows the indirect effect of this relationship through the effect of employee experienced high performance HRM practices (mediating role)

between ownership patterns and the perception of distributive fairness while controlling for the mediating and the control variables.

**Table 5.5: Direct effect of ownership pattern on employee perceived distributive fairness (Path c)**

	<i>Standardized Beta Coefficients and t value</i>			
	<i>Model 1</i>		<i>Model 2</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>T</i>
<b>Control variables</b>				
Gender (Male = 0)	.021	.630	-.006	-.174
Age	-.055	-1.131	-.050	-1.055
Tenure	.013	.297	-.005	-.109
Education (uni- graduate = 0)	-.018	-.566	-.046	-1.453
Marital Status (Married = 0)	.014	.408	.008	.233
Nationality (Saudis = 0)	<b>.180***</b>	<b>5.198</b>	<b>.164***</b>	4.830
Bank section (Branch = 0)	-.026	-.848	-.044	-1.427
<b>Independent variable</b>				
IJV vs. Local (local bank = 0)			<b>.213***</b>	<b>6.954</b>
<b>Regression model summary</b>				
R <sup>2</sup>	.029		.072	
Adj. R <sup>2</sup>	.022		.065	
R <sup>2</sup> change	.029		.044	
F	4.340		10.016	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beats are reported (c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices

In table 5.5, step 1 showed the direct relationship between ownership patterns (international joint venture versus local) and employee-perceived distributive fairness, controlling for demographic and structural variables. As can be observed, the control variables account for 2.9% of the variance in the dependent employee-perceived distributive fairness variable, while the introduction of the ownership pattern in the regression produces a significant increase of 4.4% in the proportion of the variance in employee-perceived distributive fairness. In addition, the model indicates that ownership pattern is positively associated with employee-perceived distributive fairness ( $\beta = .213$ ;  $t = 6.954$ ;  $p < .01$ ). Based on employee perceptions, this result suggests that, unlike that adopted by the local Saudi ones, the reward system adopted by the international joint venture banks takes into consideration individual performance input. Thus, this outcome satisfied the first condition of the mediatory effect, suggested by Baron and Kenny (1981), that the independent variable must predict the criterion variable.

**Table 5.6: Direct effect of ownership pattern on employee experienced HPHRM practices (Path a)**

	<i>Standardized Beta Coefficients and P value</i>			
	<i>Model 1</i>		<i>Model 2</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>T</i>
<b>Control variables</b>				
Gender (Male = 0)	.009	.290	-.021	-.666
Age	-.002	-.044	.003	.074
Tenure	.009	.197	-.012	-.285
Education (uni- graduate = 0)	.023	.715	-.009	-.286
Marital Status (Married = 0)	.032	.922	.025	.743
Nationality (Saudis = 0)	<b>.176***</b>	<b>5.073</b>	<b>.157***</b>	<b>4.662</b>
Bank section (Branch = 0)	.016	.500	-.005	-.152
<b>Independent variable</b>				
IJV vs. Local (local bank = 0)			<b>.250***</b>	<b>8.229</b>
<b>Regression model summary</b>				
R <sup>2</sup>	.030		.090	
Adj. R <sup>2</sup>	.023		.082	
R <sup>2</sup> change	.030		.060	
F	4.497		12.654	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beta coefficients are reported  
(c) \* $p < .1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices

As reported in employee-perceived high performance HRM practices' effectiveness in an earlier section, step 2 shows the relationship between the predictor and the mediator which establishes the first component of the indirect effect as presented in Table 5.6. It was found that ownership patterns positively influence employee experiences of high performance HRM practices ( $\beta = .250$ ,  $p < .01$ ). This result suggests that, compared to local Saudi banks, international joint venture ones more effectively adopt high performance HRM practices that are experienced by employees. Therefore, the second condition of the mediation requirements was satisfied.

**Table 5.7: Effect of employee experienced HPHRM practices on employee perceived distributive fairness, while controlling for ownership patterns (Path b)**

	<i>Standardized Beta Coefficients and t value</i>					
	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>t</i>
<b><i>Control variables</i></b>						
Gender (Male = 0)	.021	.630	-.006	-.174	.009	.684
Age	-.055	-1.131	-.050	-1.055	-.052	-1.545
Tenure	.013	.297	-.005	-.109	.004	.126
Education (uni-graduate = 0)	-.018	-.566	-.046	-1.435	-.039	-1.724
Marital Status (Married = 0)	.014	.408	.008	.233	-.009	-.390
Nationality (Saudis = 0)	<b>.180**</b>	5.198	.164**	4.830	<b>.035**</b>	2.176
Bank section (Branch = 0)	-.026	-.848	-.044	-1.427	<b>-.040*</b>	1.844
IJV vs. Local (local bank = 0)			<b>.213***</b>	6.954	.037	1.634
<b><i>Independent variable</i></b>						
Experienced HPHRM					<b>.705***</b>	31.275
<b><i>Regression model summary</i></b>						
R <sup>2</sup>	.029		.072		.525	
Adj. R <sup>2</sup>	.022		.065		.520	
R <sup>2</sup> change	.029		.044		.452	
F	4.340		10.016		126.041	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beta coefficients are reported  
(c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices

The regression results in Table 5.7 show Step 3 displays which indicate the relationship between the mediator and the dependent variable, while controlling for the independent variable. This outcome constitutes the second component of the indirect effect. The results show that the total variance in employee-perceived distributive fairness explained by the model is 52.5%. The introduction of employee experienced high performance HRM practices explains an additional 45.2% of the variance. In addition, there is a significant positive relationship between employee experiences of high performance HRM practices (mediator) and employee-perceived distributive fairness (criterion variable) ( $\beta = .705$ ,  $t = 31.275$ ;  $p < .01$ ). The result suggests that the effective implementation of high performance HRM practices, as experienced by employees, results in employee perception of distributive fairness. This outcome satisfies the third requirement of the mediatory effect suggested by Baron and Kenny (1981).

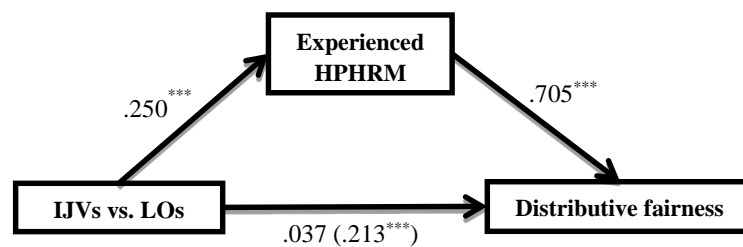
**Table 5.8: Effect of ownership pattern on employee perceived distributive fairness, while controlling for employee experienced HPHRM practices (Path c')**

	<i>Standardized Beta Coefficients and t value</i>					
	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>t</i>
<b><i>Control variables</i></b>						
Gender (Male = 0)	.021	.630	.014	.604	.009	.407
Age	-.055	-1.131	-.053	-1.568	-.052	-1.545
Tenure	.013	.297	.007	.224	.004	.126
Education (uni-graduate = 0)	-.018	-.566	-.035	-1.535	<b>-.039*</b>	<b>-1.724</b>
Marital Status (Married = 0)	.014	.408	-.009	-.357	-.009	-.390
Nationality (Saudis = 0)	<b>.180**</b>	5.198	<b>.055**</b>	2.223	<b>.053**</b>	<b>2.176</b>
Bank section (Branch = 0)	-.026	-.848	<b>-.038*</b>	-1.718	<b>-.040*</b>	<b>-1.844</b>
Experienced HPHRM			<b>.714***</b>	32.681	<b>.705***</b>	31.275
<b><i>Independent variable</i></b>						
IJV vs. Local (local bank = 0)					.037	1.634
<b><i>Regression model summary</i></b>						
R <sup>2</sup>	.029		.523		.525	
Adj. R <sup>2</sup>	.022		.520		.520	
R <sup>2</sup> change	.029		.495		.001	
F	4.340		141.233		126.041	

Notes: (a) the DV measured as continues 1: strongly disagree; 4: strongly agree. (b) \*  $P < .01$ . \*\*  $P < 0.05$ . \*\*\*  $P < 0.01$ .

Table 5.8 represents the final step of the mediatory effect. This step examines the effect of the ownership pattern in international joint venture banks as compared to local Saudi ones on employee-perceived distributive fairness when the indirect effect via employee experienced high performances HRM practices is introduced in the model and controlled for, along with the demographic and structural variables. The results obtained from the hierarchical multiple regression analysis supports the indirect effect between ownership pattern variable and employee-perceived distributive fairness. The magnitude of the direct effect between international joint venture banks (as opposed to local Saudi banks) and employee-perceived distributive fairness in the final step was statistically not-significant and the beta coefficient was decreased when controlling for the mediator experienced high performances HRM practices. The beta coefficient for the direct path between ownership pattern and employee-perceived distributive fairness was .213 ( $p < .01$ ) in model 1 (Table 5.8) and dropped to ( $\beta = .037$ ;  $t = 1.634$ ;  $p < .10$ ) as shown table 5.8 after the inclusion of the employee-experienced high performances practices variable.

The results pertaining to the significance of the indirect effects based on the Sobel and bootstrapping tests confirmed that there was a significant indirect effect of ownership pattern and employee-perceived distributive fairness through the employee experienced high performance HRM practices. The  $z$  value for the indirect effect in the Sobel test was 7.95 ( $p = 0.000$ ) and the result of the bootstrapping resampling test with 95% confidence interval and 1,000 bootstrapping was ( $\beta = .3524$ ; CI = .2647 to .4342). These findings indicate that there is a significant full mediatory effect of the experienced high performances HRM practices between ownership pattern and employee-perceived distributive fairness. Thus, the effective adoption and implementation of high performances HRM practices is essential to achieve a higher perception of distributive fairness effectiveness. In other words, the effective adaption and implementation of high performances practices results in a higher employee-perceived distributive fairness. The results are summarized in Figure 5.3



**Figure 5.3:** The indirect effect of ownership pattern on employee-perceived distributive fairness through employee experienced HPHRM practices. \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ .

These statistical results were consistent with the employee interviews' data. The effective adoption and implementation of high performance HRM practices has resulted in a higher perception of distributive fairness among employees of the international joint venture banks than among those of the local Saudi ones. More precisely, this is related to the extent to which employee compensation matches individual professional contribution and effort. The employees of the local Saudi banks shared their concerns with regard to the ambiguity and diversification in

the amount of payment and rewards given for performance. In terms of payment, all the participating banks in the study reported to have adopted a graded payment system, with each grade having links to education and experience. The four banks also stated that they are re-evaluating the amount of payment to be driven by the market value of each position. In addition, it is important to note that international joint venture banks pay in the upper quartile as compared to local banks and other banks in the market. This could explain why the interviewed employees of the international joint venture banks, when asked about their experience and perception of payment, showed no concern about the amount of payment. Conversely, the interviewed employees of the local Saudi banks claimed to have experienced variation in the salaries of employees doing exactly the same jobs. One of the employees of bank local banks two explained:

*We do have grades in place and, within each grade, there are different levels that are based on experience and education. We have cases in my department in which some colleagues are alike in everything (e.g. grade and level, education, experience) but have differences of up to 40% in their basic salary.(LO2E2)*

The interviewed local Saudi banks employees perceive that the variations in the reward system are due to the manager's influence of and to the weak links existing between performance and reward. This result in employees receiving financial rewards that is not proportional to their contributions. One of the employees in the local Saudi bank one shared the following:

*To get a bonus and/or pay rise, you are supposed to reach a certain expected level in your rating. My final rating last year exceeded the expectation but I received a lower bonus compared to colleagues who had attained a lower rating than expected. (LO1E3)*

The following quote was also shared by an employee of local Saudi banks two:

*In my experience, bonus distribution is mainly based on the manager's decisions. Last year, I approached 200% of my target while some colleagues were not even close to 50%; however, the bonus was distributed equally among all of us, regardless of individual job role, experience and performance. (LO2E2)*

The employees of the international joint venture banks also reported fairness in terms of reward distribution as the related decisions are mainly made based on individual performance. The following sentiment, expressed by one of the employees of the international joint venture banks, confirms this:

*I personally have never had an issue regarding bonus distribution, especially in the last couple of years, because the scheme is directly linked to my performance rating, which was taken by a panel. The new margin in the evaluation rating justifies exactly where I stand in my performance and what I deserve as my reward. (JVIEG3)*

Overall, the statistical results and interview data based on employee responses have shown the considerable importance of adequate degrees of adoption and implementation of high performance HRM practices as experienced by employees of their daily work activities. The mediation analysis and the interviews have indicated that, unlike those of local Saudi banks, the employees of international joint venture banks, who experience high performance HRM practices, perceive an adequate link between their individual efforts and their compensation. Thus, the more effective the implementation of high performance HRM practices (as is the case for international joint venture banks) the lower the employee perception of distributive unfairness.

### ***5.5.2 Employee-perceived Procedural Fairness***

The effective adoption and implementation of high-performance HRM practices, as experienced by employees, can result in perceptions of fairness in the conduct of HRM procedures throughout the banks. Based on this argument, I examined the following hypothesis:

- H4* Employee experience of HRM practices due to their effective enactment is more positively related to employee perception of procedural fairness in IJVs than it is in local firms operating in Saudi Arabia.



In analysing this assumption, I conducted a series of hierarchical multiple regressions to examine the mediatory effect of employee experienced high performance HRM practices between ownership pattern and employee-perceived procedural fairness. The first three steps are shown in Tables 5.9, 5.10, and 5.11, and the last step is shown in Table 5.10. In all tests, the control variables were entered into the regression first, followed, where relevant, by experienced high performance HRM practices and ownership pattern.

**Table 5.9: Direct effect of ownership pattern on employee perceived procedural fairness (Path c)**

	<i>Standardized Beta Coefficients and t value</i>			
	<i>Model 1</i>		<i>Model 2</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>t</i>
<b>Control variables</b>				
Gender (Male = 0)	-.050	-1.527	<b>-.071**</b>	<b>-2.201</b>
Age	.002	.048	.006	.131
Tenure	-.057	-1.282	-.071	-1.635
Education (uni- graduate = 0)	-.013	-.416	-.036	-1.119
Marital Status (Married = 0)	.037	1.068	.032	.935
Nationality (Saudis = 0)	<b>.170***</b>	4.934	<b>.157***</b>	4.610
Bank section (Branch = 0)	-.041	-1.321	<b>-.055**</b>	-1.794
<b>Independent variable</b>				
IJV vs. Local (local bank = 0)			<b>.174***</b>	5.654
<b>Regression model summary</b>				
R <sup>2</sup>	.037		.066	
Adj. R <sup>2</sup>	.031		.059	
R <sup>2</sup> change	.037		.029	
F	5.680		9.115	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beats are reported (c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices.

In table 5.9, step 1 shows the direct effect of predicting employee-perceived procedural fairness on ownership pattern variable (international joint venture versus local Saudi banks) after controlling for control variables. The result indicates that the total variance in employee-perceived procedural fairness explained by the model was 6.6%. The demographic and structure variable accounted for 3.7% of the variance and the entry of the ownership pattern variable explained an additional 2.9% of the variance. The regression coefficients confirmed that there is a statistically significant positive relationship between international joint venture banks (as compared to local Saudi bank) and employee-perceived procedural fairness ( $\beta = .174$ ;  $t = 5.654$ ;  $p < .01$ ). In other

words, employees in international joint venture banks perceive more transparency and fairness in the way the banks carried out employee related HRM functions (e.g. promotion decisions) as compared to employees in local Saudi banks.

**Table 5.10: Direct effect of ownership patterns on employee experienced HPHRM practices (Path *a*)**

	<i>Standardized Beta Coefficients and P value</i>			
	<i>Model 1</i>		<i>Model 2</i>	
	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>T</i>
<b>Control variables</b>				
Gender (Male = 0)	.009	.290	-.021	-.666
Age	-.002	-.044	.003	.074
Tenure	.009	.197	-.012	-.285
Education (uni- graduate = 0)	.023	.715	-.009	-.286
Marital Status (Married = 0)	.032	.922	.025	.743
Nationality (Saudis = 0)	<b>.176***</b>	<b>5.073</b>	<b>.157***</b>	<b>4.662</b>
Bank section (Branch = 0)	.016	.500	-.005	-.152
<b>Independent variable</b>				
IJV vs. Local (local bank = 0)			<b>.250***</b>	<b>8.229</b>
<b>Regression model summary</b>				
R <sup>2</sup>	.030		.090	
Adj. R <sup>2</sup>	.023		.082	
R <sup>2</sup> change	.030		.060	
F	4.497		12.654	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beta coefficients are reported  
(c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices

The regression results in Table 5.10 (step 2) corresponds to path *a*, examining the relationship between the predictor and the mediator, and is the first component of the indirect effects. As mentioned earlier, the ownership pattern has a statistically significant positive relationship with employee experienced HPWP ( $R^2 = 0.090$ ) and a change of  $R^2$  of .60. This result indicates that the employees of international joint venture banks are more likely to experience the sophisticated adoption of high-performance HRM practices as compared to those of local Saudi banks.

**Table 5.11: Effect of employee experienced HPHRM practices on employee perceived procedural fairness while controlling for ownership pattern (Path *b*)**

	<i>Standardized Beta Coefficients and t value</i>					
	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>t</i>
<b><i>Control variables</i></b>						
Gender (Male = 0)	-.050	-1.527	<b>-.071**</b>	-2.301	<b>-.054***</b>	-2.732
Age	.002	.048	.006	.131	.003	.118
Tenure	-.057	-1.282	-.071	-1.635	<b>-.061**</b>	-2.301
Education (uni-graduate = 0)	-.013	-.416	-.036	-1.119	-.029	-1.457
Marital Status (Married = 0)	.037	1.068	.032	.935	.012	.578
Nationality (Saudis = 0)	<b>.170***</b>	4.934	<b>.157***</b>	4.610	.013	1.493
Bank section (Branch = 0)	-.041	-1.321	<b>-.055*</b>	-1.794	<b>-.051**</b>	-2.734
IJV vs. Local (local bank = 0)			<b>.174***</b>	5.654	-.026	-1.351
<b><i>Independent variable</i></b>						
Experienced HPRM practices					<b>.801***</b>	41.429
<b><i>Regression model summary</i></b>						
R <sup>2</sup>	.037		.066		.650	
Adj. R <sup>2</sup>	.031		.059		.647	
R <sup>2</sup> change	.037		.029		.584	
F	5.680		9.115		212.312	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beta coefficients are reported  
(c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices

The regression results in Table 5.11 (step 3) correspond to path *b*, examining the relationship between the mediator and the criterion variable controlling for the predictor along with demographic and structural variables. Approximately 65% of the total variance in employee-perceived procedural fairness was explained in this model. There was an additional 58.4% in explaining the variance when employee experienced high performance HRM practices entered into the regression model. In addition, the result also mandates that there is a statistically significant positive association between the employees experienced high performance HRM practices and employee-perceived procedural fairness ( $\beta = .801$ ;  $t = 41.429$ ;  $p < .01$ ). The effective implementation of high performance HRM practices result in more transparency and fairness in the procedure that experienced and perceived by employees. Thus, as suggested by Baron and Kenny (1981), all of the relationships in the first three steps were significant.

**Table 5.12: Effect of ownership pattern on employee perceived procedural fairness, while controlling for employee experienced HPHRM practices (Path c')**

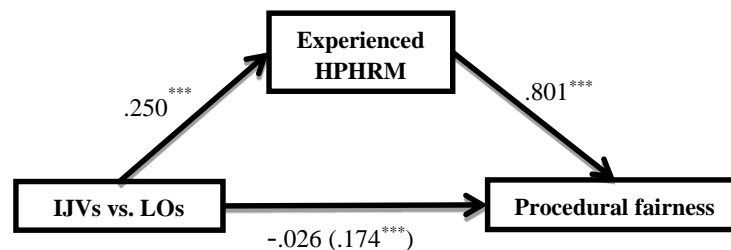
	<i>Standardized Beta Coefficients and t value</i>					
	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>t</i>
<b><i>Control variables</i></b>						
Gender (Male = 0)	-.050	-1.527	<b>-.057**</b>	-2.914	<b>-.054**</b>	-2.734
Age	.002	.048	.004	.138	.003	.118
Tenure	-.057	-1.282	<b>-.064**</b>	-2.385	<b>-.61**</b>	-2.301
Education (uni-graduate = 0)	-.013	-.416	-.032	-1.634	-.029	-1.457
Marital Status (Married = 0)	.037	1.068	.011	.551	.012	.578
Nationality (Saudis = 0)	<b>.170***</b>	4.934	.031	1.453	.031	1.493
Bank section (Branch = 0)	-.041	-1.321	<b>-.053**</b>	-2.849	<b>-.051**</b>	-2.734
Experienced HPHRM			<b>.794***</b>	42.407	<b>.801***</b>	41.429
<b><i>Independent variable</i></b>						
IJV vs. Local (local bank = 0)					-.026	-1.351
<b><i>Regression model summary</i></b>						
R <sup>2</sup>	.037		.650		.650	
Adj. R <sup>2</sup>	.031		.647		.647	
R <sup>2</sup> change	.037		.612		.001	
F	5.680		238.433		212.312	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beats are reported  
(c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices

Table 5.10 represents the final step of the mediatory effect. This step examines the effect of the ownership pattern in international joint venture banks, as compared to local Saudi banks, on employee-perceived procedural fairness when the indirect effect via employee experienced high performance HRM practices is introduced in the model and controlled for with other demographic and structural variables. The results of the hierarchical multiple regression analysis confirms that there is an indirect effect between the ownership pattern variable and employee-perceived procedural fairness via employee experienced high performance HRM practices. The magnitude of the direct effect between international joint venture banks (as opposed to local Saudi banks) and employee-perceived procedural fairness was lower in model four (table 5.12) than in model 1 (table 5.9) after controlling for experienced high performance HRM practices.

The regression coefficients in model 1 were ( $\beta = .174$ ;  $t = 5.654$ ;  $p < .01$ ) but the beta value was reduced and the significance was diminished ( $\beta = -.026$ ;  $t = -1.351$ ;  $p > .10$ ).

The significance and magnitude of the indirect effect was tested using both the Sobel and the bootstrapping techniques. The  $z$  value for the indirect effect relationship between ownership pattern and employee-perceived procedural fairness through the employee experienced HPHRM practices was 8.87 ( $p = 0.000$ ) which exceeds the required amount of 1.96 suggested by Sobel (1981). The bootstrapping method was performed with 95% confidence interval of the indirect effects and 1,000 bootstrap resamples. The results supported the fact that employee experienced HPHRM mediates the relationship between ownership pattern and employee-perceived procedural fairness ( $\beta = .4004$ ; CI = .2996 to .5042). Therefore, it can be concluded that experienced HPHRM had a significant full mediatory effect on the relationship between ownership pattern and employee-perceived procedural fairness. Thus, the effective adoption and implementation of HPHRM practices, as found in international joint venture banks, results in a higher employee perception of procedural fairness in these, compared to local Saudi banks. The results are shown in Figure 5.4.



**Figure 5.4:** The indirect effect of ownership pattern on employee-perceived procedural fairness through employee experienced HPHRM practices. \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ .

As mentioned earlier, the interview data from the international joint venture banks indicate that employees experience more transparency and involvement in the HRM process compared to their counterparts from the local Saudi banks. This indicates that there is fairness in employee-related decisions and consistency among all employees. In line with this discussion, the major concern

shared by the employees who were interviewed in local Saudi banks was the influence of personal relationships (favouritism and nepotism) and ambiguity in the decision-making process, such as in job selection, evaluation and promotion.

### ***Selection***

The variation in selection practice equality of international joint venture and local Saudi banks was reported due to the widespread influence of personal relationship and nepotism. More precisely, while employees in international joint venture banks reported that they experience robust selection procedures that result in effective selection outcomes and reduce the influence of nepotism in the hiring process, the interviewed employees of the local Saudi banks mentioned that personal preferences (*wasta*) are commonly experienced, which compromise the qualifications of the hired employees. As one of the employees of bank local Saudi one pointed out:

*The use of 'wasta' in my department is affecting us. Our work is sensitive and we need to be aware of the bank's new financial products and careful about their conditions prior to providing an agreement for the branches to proceed. There is a shortage in the number of staff and we still have new colleagues among us who have entirely different backgrounds and were hired mainly because of their relationships with our managers. (LO1E1)*

Another employee of bank local Saudi two stated that:

*I was hired by the bank to develop a specific product. It was agreed from the beginning that the department should provide me with two employees with relevant backgrounds. The department did this but the two employees had no basic knowledge of the field because they were just relatives of the manager. (LO2E2)*

This lack of procedural fairness also emerges in the execution of HRM practices associated with performance appraisal, promotion prospects and compensation in local Saudi banks more than it does in international joint venture ones.

### ***Performance Appraisal***

As stated earlier, employees in international joint venture banks are engaged in performance appraisal evaluation from the stage of objective development to the stage of evaluation. Employees are also allowed to challenge and reject the evaluation. This extensive engagement has enabled the employees who were interviewed to report the transparency of the process, which results in a greater perception of procedural fairness effectiveness. By contrast, the interviewed local Saudi banks' employees shared three concerns:

1. the ambiguity of their work related objectives;
2. the way in which the final performance grading is reached;
3. the lack of engagement in one or both processes in some departments.

This lack of transparency, coupled with a sense of the effect personal influence, results in experiences and feelings of injustice in the process. Similarly, the local Saudi banks' employees highlighted how, in the case of promotions and in addition to the ambiguity of the process, the decisions are mainly dependent on the managers' personal inclinations, whereas, in the international joint venture banks, promotion decisions are mainly ability-based and strongly influenced by individual performance; the decisions for promotions are made by a panel and have to be verified by the HRM department to safeguard the employees. As a result, the employees who were interviewed acknowledged a more pronounced lack of procedural fairness in local Saudi banks than in international joint venture banks. The following replies are indicative of the question of the extent of the perceptions of procedural fairness in motivational HRM practices:

An employee of one of the international joint venture banks thus described his feelings regarding the evaluation process:

*I am completely confident that I am getting what I deserve because I was evaluated by a panel (Calibration) of line managers that I work with directly and, at the same time, in the presence of the HRM department (RM). Besides that, I am allowed to discuss the evaluation outcome and to reject it. (JVIEG2)*

By contrast, an employee of one of the local Saudi banks described his feelings on effective evaluation:

*I am still not clear about how the evaluation rate is calculated, especially if we don't have clear objectives. How come we work as a team and are aware of the individual merits of each of us but, by the end of the year, the colleagues who are expected to be rated the lowest get rated as excellent performers? (LO1E2)*

### **Promotion prospects**

While the employees in the international joint venture banks reported that it is directly linked to performance and their HRM department verified the decision, the following quote from one of the local Saudi banks' employees is indicative of the process:

*As far as could I see, during my long years of experience, many colleagues, including myself, work beyond what they had been told to do and then someone else, who is a relation of the manager, gets promoted. It gives a bad impression of the whole system. The other problem is that no one, including the HR department, can question the general manager's decision. (LO1E4)*

It appears that the significant involvement of the international joint venture banks' HRM departments in the process, along with the sharing of the decisions through a panel of line managers, has minimized such personal influence; whereas, in local Saudi banks, the decisions are mainly based on the line managers' views, resulting in some unfair prospects among employees. This result is in line with some of the findings of HRM practices in Saudi Arabia. It has been argued that Saudi Managers, regardless of their rank, feel obligated to follow common societal expectations, by which they are expected to give preference to relatives, friends and to those with the right connection to those in power' (Ali, 2009). Similarly, promotion criteria and performance evaluations are also suggested to be significantly influenced by widespread personal



relationship and nepotism (Mellahi, 2006, Ali, 2009). Overall, the interview data are in line with the survey data. This indicates the considerable importance for employee experience and perception of the effective adoption and implementation of high performance HRM practices. More precisely, the effective practice implementation experienced by employees' results in them reporting a higher degree of fairness in the process adopted the international joint venture banks compared to that of the local Saudi ones.

## **5.7 Employee-perceived Organizational Commitment**

Social exchange theory suggests that individual employees are willing to participate in work relationships that they deem to be rewarding. In return for the privileges or benefits they receive, it becomes binding upon them to reciprocate in a benefit exchange based relationship. In this study, organization commitment is referred to as the psychological attachment of the employees to their workplaces (affective commitment) (Meyer and Allen, 1991, p.67). The assumption of this section is that the effective adoption and implementation of high-performance HRM practices experienced by employees is more likely to bring about affective commitment. In examining the relationship, I argue that employees of IJV firms are more likely to have a more positive perception of commitment compared to those of local firms. I therefore formulate the following hypothesis:

- H5* Employee experience of HRM practices due to their effective implementation is more positively related to employee affective commitment in IJVs than it is in local firms operating in Saudi Arabia.

In analysing this relationship, I conducted a series of hierarchical multiple regressions to examine the mediatory effect of employee experienced HPHRM practices between ownership pattern and employee-perceived organizational commitment. The first three steps are shown in Tables 5.13, 5.14, and 5.15, and the final step is represented in Table 5.16. In all tests, the control variables

were entered into the regression first, followed, where relevant, by experienced HPHRM practices and ownership patterns.

**Table 5.13: Direct effect of ownership pattern on employee perceived organizational commitment (Path c)**

	<i>Standardized Beta Coefficients and t value</i>			
	<i>Model 1</i>		<i>Model 2</i>	
	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>t</i>
<b>Control variables</b>				
Gender (Male = 0)	.019	.548	-.002	.077
Age	.041	.846	.045	.942
Tenure	-.020	-.447	-.034	.790
Education (uni- graduate = 0)	-.002	-.066	-.025	-.769
Marital Status (Married = 0)	.025	.741	.020	.602
Nationality (Saudis = 0)	<b>.179***</b>	5.202	<b>.166***</b>	4.880
Bank section (Branch = 0)	.046	1.473	.032	1.030
<b>Independent variable</b>				
IJV vs. Local (local bank = 0)			<b>.174***</b>	5.684
<b>Regression model summary</b>				
R <sup>2</sup>	.040		.069	
Adj. R <sup>2</sup>	.033		.062	
R <sup>2</sup> change	.040		.029	
F	6.108		9.546	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beats are reported (c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices.

In table 5.13, step 1 represents the direct relationship between the ownership patterns (joint venture versus local) and employee-perceived organizational commitment after controlling for demographic and structure variables. Approximately 6.9% of the total variance in employee-perceived organizational commitment is explained by this model. After controlling for demographic variables, ownership patterns explained an additional 2.9% of the variance. In addition, the regression coefficients confirmed that there is a statistically significant positive association between ownership pattern and employee-perceived organizational commitment ( $\beta = .174$ ;  $t = 5.684$ ;  $p < .01$ ). The results suggest that the employees of international joint venture banks are more committed to their workplace compared to those of local Saudi banks. This outcome satisfies the first condition of the mediatory effect suggested by Baron and Kenny (1981), i.e. that the independent variable must predict the criterion variable.

**Table 5.14: Direct effect of ownership pattern on employee experienced HPHRM practices (Path *a*)**

	<i>Standardized Beta Coefficients and P value</i>			
	<i>Model 1</i>		<i>Model 2</i>	
	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>T</i>
<b>Control variables</b>				
Gender (Male = 0)	.009	.290	-.021	-.666
Age	-.002	-.044	.003	.074
Tenure	.009	.197	-.012	-.285
Education (uni- graduate = 0)	.023	.715	-.009	-.286
Marital Status (Married = 0)	.032	.922	.025	.743
Nationality (Saudis = 0)	<b>.176***</b>	<b>5.073</b>	<b>.157***</b>	<b>4.662</b>
Bank section (Branch = 0)	.016	.500	-.005	-.152
<b>Independent variable</b>				
IJV vs. Local (local bank = 0)			<b>.250***</b>	<b>8.229</b>
<b>Regression model summery</b>				
R <sup>2</sup>	.030		.090	
Adj. R <sup>2</sup>	.023		.082	
R <sup>2</sup> change	.030		.060	
F	4.497		12.654	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beats are reported  
(c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices

The results presented in table 5.14 (Step 2) indicate the first component of the indirect effect (Path *a*). The independent variable has a statistically significant positive association with the dependent variable, employee experienced high performance HRM practices ( $\beta = .250, p < .01$ ). This finding satisfies the second condition of the mediatory effect suggested by Baron and Kenny (1981), i.e. that the independent variable must predict the mediator.

**Table 5.15: Effect of employee experienced HPHRM practices on employee perceived organizational commitment, while controlling for ownership pattern (Path b)**

	<i>Standardized Beta Coefficients and t value</i>					
	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>t</i>
<b><i>Control variables</i></b>						
Gender (Male = 0)	.019	.584	-.002	-.077	.011	.450
Age	.041	.846	.045	.942	.042	1.160
Tenure	-.020	-.477	-.034	-.790	-.026	-.789
Education (uni-graduate = 0)	-.002	-.066	-.025	-.769	-.019	-.762
Marital Status (Married = 0)	.025	.741	.020	.602	.005	.174
Nationality (Saudis = 0)	<b>.179***</b>	5.202	<b>.166***</b>	4.880	<b>.065**</b>	2.451
Bank section (Branch = 0)	.046	1.473	.032	1.030	.035	1.462
IJV vs. Local (local bank = 0)			<b>.174***</b>	5.684	.013	.552
<b><i>Independent variable</i></b>						
Experienced HPHRM					<b>.645***</b>	26.521
<b><i>Regression model summary</i></b>						
R <sup>2</sup>	.040		.069		.447	
Adj. R <sup>2</sup>	.033		.062		.442	
R <sup>2</sup> change	.040		.029		.378	
F	6.108		9.546		92.432	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beta coefficients are reported (c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices.

Step 3 in Table 5.15 shows the relationship between the employees' experience of high performance HRM practices (mediator) and employees' perception of organizational commitment (criterion variable) controlling for the predictor (ownership pattern) along with demographic and structural variables. The control variables account for 6.9% of the variance in the dependent employee-perceived organizational commitment variable. The entry of the employee experienced HPHRM practices in the regression produces a significant increase of 44.7% in the proportion of the variance of employee-perceived organizational commitment. The results also indicate that there is a statistically significant positive relationship between employees experienced high performance HRM practices and employee-perceived organizational commitment ( $\beta = .645$ ;  $t = 26.52$ ;  $p < .01$ ). In other words, the effective implementation of HPHRM practices results in higher employee commitment and obligation to the workplace. This result, together with those for steps 1 and 2, satisfies the conditions suggested by Baron and Kenny (1981) in establishing the mediatory effect.

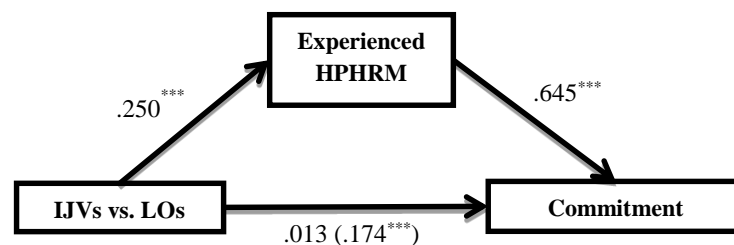
**Table 5.16: Effect of ownership pattern on employee perceived organizational commitment, while controlling for employee experienced HPHRM practices (Path c')**

	<i>Standardized Beta Coefficients and t value</i>					
	<i>Model 1</i>		<i>Model 2</i>		<i>Model 3</i>	
	( $\beta$ )	<i>T</i>	( $\beta$ )	<i>t</i>	( $\beta$ )	<i>t</i>
<b><i>Control variables</i></b>						
Gender (Male = 0)	.019	.584	.013	.520	.011	.450
Age	.041	.846	.042	1.153	.042	1.160
Tenure	-.020	-.447	-.025	-.758	-.026	-.789
Education (uni-graduate = 0)	-.002	-.066	-.017	-.700	-.019	-.762
Marital Status (Married = 0)	.025	.741	.005	.185	.005	.174
Nationality (Saudis = 0)	<b>.179**</b>	5.202	<b>.065**</b>	2.469	<b>.065**</b>	2.451
Bank section (Branch = 0)	.046	1.473	.036	1.511	.035	1.462
Experienced HPRM practices			<b>.648***</b>	27.531	<b>.645***</b>	26.521
<b><i>Independent variable</i></b>						
IJV vs. Local (local bank = 0)					.013	.552
<b><i>Regression model summary</i></b>						
R <sup>2</sup>	.040		.447		.447	
Adj. R <sup>2</sup>	.033		.443		.442	
R <sup>2</sup> change	.040		.407		.000	
F	6.108		104.019		92.432	

Notes: (a) the DV measured as continuous 1: strongly disagree; 4: strongly agree. (b) Standardized beats are reported (c) \* $p < .1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . (d) HPHRM: refer to high performance HRM practices.

Table 5.16 represents the final step of the mediatory effect. This step examines the effect of the ownership pattern (international joint venture as compared to local Saudi banks) on employee-perceived organizational commitment when the indirect effect via employee experienced high performance HRM practices is introduced in the model and controlled for with other demographic and structural variables. The table shows the result of the hierarchical multiple regression analysis. The outcome confirms that there is an indirect effect between ownership pattern and employee-perceived organizational commitment via employee experienced high performance HRM practices. The magnitude of the direct effect between international joint venture banks (as opposed to local Saudi banks) and employee-perceived organizational commitment decreased after experienced high performance HRM practices were controlled. The beta coefficient for the direct path between the ownership pattern and the employee perception of organizational commitment was .174 ( $p < .01$ ) in step 1 (Table 5.13) and dropped, and its significance diminished, to .013 ( $p > .10$ ) after the inclusion of the employee experienced high performance HRM practices variable.

The Sobel test and bootstrapping method were employed to examine the significance and size of the indirect effect, and their results confirmed that it is significant. The Sobel test  $z$  value for the indirect effect was 7.85 ( $p = 0.000$ ), exceeding the requirement of 1.96. In addition, the 95% confidence interval of the indirect effect was obtained with 1,000 bootstrapping resamples (Preacher and Hayes, 2008). The results of the mediation analysis confirmed the mediating role of the employee experienced high performance HRM practices variable ( $\beta = .3222$ ; CI = .2467 to .4040). Therefore, this result confirmed that experienced high performance HRM practices had a full mediatory effect on the relationship between ownership pattern and employee-perceived organizational commitment. Thus, these results indicate that the effective adoption and implementation of high performance HRM practices, as experienced by employees and found in international joint venture banks, results in a higher employee perception of organizational commitment. Figure 5.5 displays the results.



**Figure 5.5:** The indirect effect of ownership pattern on employee-perceived organizational commitment through employee experienced HPHRM. \*  $p < .1$ . \*\*  $p < 0.05$ . \*\*\*  $p < 0.01$ .

The evidence of the interview findings acknowledges and confirms these statistical results. The interviewed employees of local Saudi banks asserted the need for the effective implementation of HRM practices to improve the workplace environment, enhance fairness among all employees, and encourage individual participation. The following quotes of employees across the four participating banks are indicative:

An employee of Saudi bank local one stated:

*The workplace atmosphere is not encouraging and I wouldn't mind leaving. We keep hearing promises about changes but the changes in fundamental issues that relate to us are happening too slowly. (LO1E5)*

A similar remark was made by an employee of bank local Saudi two:

*Although I am in a good grade, I am not proud of being part of this bank. The amount of effort and time that this bank takes from you and your family is not adequately repaid. I have friends across banks and I can guarantee that, in terms of employee needs, we're at the very bottom of the league in training, payments, rewards and even recognition, which is actually free. (LO2E2)*

This was in contrast to the statements made by the employees of the international joint venture banks. One of these reported in international joint venture one the following:

*I just rejected an offer which involved an increase of 15% on my basic salary because I know that a good workplace is about more than just money. I get what I deserve and we have an excellent workplace environment. We have just been given an award for best bank in Saudi Arabia. The logo, the design, the bank's standards, and my highly selected local and foreign colleagues encourage me to challenge myself and feel proud to be a part of this global bank. (JV1GE3)*

The interviewed employees of the international joint venture bank two shared similar positive reactions but emphasized the need for further improvement. One of the respondents shared her view as follows:

*Joint venture banks are the best place to start your career and I am glad to be in this bank. We all pursue a common purpose, with no differences in treatment between men and women and local and foreign employees; however, we still also need more emphasis placed upon individual performance to be the only driver in the work environment. (JV2E3)*

Overall, the interview findings confirmed the statistical results of employees of international joint venture banks perceiving more organizational commitment compared to those of local Saudi banks. The results suggest that the effective adoption and implementation of HRM practices by

international joint venture banks has resulted in highly committed employees returning the message of these practices, unlike the employees of local Saudi banks. These findings are in line with the extant literature, which argues how and why implemented HRM practices are more likely to influence employee attitudes and behaviours (e.g. Nishii, Lepak, & Schneider, 2008).

## 5.8 The associations of the control variables with employee related outcomes

Although they are not the main focus of this research, the results throughout the analysis process also provided interesting implications regarding nationality and bank section, and others related to gender, education and tenure. As mentioned in another chapter, many studies found a positive relationship between employee personal characteristics and their attitudes and behaviours towards HRM practices, job satisfaction, and commitment within their organizations (e.g. Chang, 2005; Edgar & Geare, 2004; Huang & Gamble, 2011). Therefore, in all the multiple regression tests, the control variables were entered into the regression first, followed, where relevant, by experienced high performance HRM practices and ownership structures. The results represented in Table 5.17 are a summary of the last blocks of the mediation analyses for control variables while controlling for the mediators.

**Table 5.17: Impact of the control variables on employee related outcomes**

	<i>HPWP effectiveness</i>	<i>Distributive fairness</i>	<i>Procedural fairness</i>	<i>Organizational commitment</i>
Gender (Male = 0)	-.015	.009	-.054**	.011
Age	-.019	-.052	.003	.042
Tenure	-.021	.004	-.061**	-.026
Education (uni-graduate = 0)	-.017	-.039*	-.029	-.019
Marital status (Married = 0)	.010	-.009	.021	.005
Nationality (Saudis = 0)	.031***	.053***	.031	.065**
Bank section (Branch = 0)	-.011	-.040*	-.051**	.035

Notes: (a)  $N = 1038$ . (b) The DV measured as continuous 1: strongly disagree; 4: strongly agree.

(c) Standardized beta are reported (d) \*  $p < .10$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ .



As can be seen in Table 5.17, the effects of most of the variables appear to be less pronounced. Employee experience is significantly negatively related with procedural fairness variables. As accepted, the most noticeable results were linked to nationality. Compared to local Saudi ones, foreign employees reported higher effective perceptions of high performance HRM practices, distributed fairness, and organizational commitment. One possible explanation could be the social comparison between local employees and expatriates linked to the differences in treatment (Melahi, 2006; Leung & Kwong, 2003). Foreign employees in the banking industry tend to be hired for their experience and to fulfil particular jobs that cannot be occupied by local ones; their pay and benefit packages are linked to those of their home countries rather than being equalized with the local system. These vast differences result in expatriates earning higher degrees of compensation which can also result in a higher commitment than that of Saudi local employees, who experience huge feelings of injustice. In addition, HRM practices in Saudi banks are shifting from traditional trends to become more strategic and towards a western style, especially in the case of international joint venture banks. An independent sample t-test of HRM has shown that the expatriates in international joint venture banks scored higher in their experience and perception of high performance HRM practices ( $M = 2.82$ ), ( $M = 2.90$ ) than those in local Saudi banks ( $M = 2.63$ ) and ( $M = 2.69$ ). These continuous changes can be argued to be more welcomed by expatriates, especially those who work for international joint venture banks, where they can have more influence, than by the local employees, who are embedded in the local society and system.

As expected, the employees who work in branches are more likely to report higher distributive and procedural fairness than those who work in headquarters. One possible explanation could be that employee objectives are clear and based on a number of specific activities and selling points, draw on a score card balance and are linked to individual and overall branch objectives. Employee experience was significantly negatively related with procedural fairness variables. This finding suggests that employees with greater tenure are less likely to perceive the decision-making process

for high performance HRM practices effectiveness as compared to newly hired employees. This result is consistent with previous work (e.g. Lambert *et al.*, 2007; Lemons & Jones, 2000), as employees with more years of experience might have had previous experience of unfair decisions during their work experience, e.g. unfair compensation or promotion decisions. Another possible explanation is that younger employees are exposed to the adoption of new policies that guarantee fairness in the procedures or they might experience fast and varied changes in their career such as career development and/or more training opportunities. Education appears to be a significant predictor of distributive fairness, suggesting that non-university graduates experience less compensation acknowledgement in their performance input. In addition, independent sample t-test of HRM has shown that both the university and non-university graduates' employees of the international joint venture banks scored a higher mean score than those of the local Saudi banks. Thus, these results suggest and confirm the feeling of distributive injustice among employees in local Saudi banks. Lastly and as expected, the analysis of the gender variable shows that there is a negative relation between gender and procedural fairness with male employees appearing to be significantly more satisfied with the process than females (e.g. Chang, 2005; Liao *et al.*, 2009). Independent sample t-test HRM has shown that females in international joint venture banks scored a higher mean in procedural fairness than females in local Saudi banks. Unlike international joint venture banks, perhaps one could expect local Saudi banks to be heavily embedded in local society and rely more on traditional practices and on segregation between males and females within the bank which reduces career and compensation prospects. An alternative explanation could be based on gender stereotyping, which may result in prejudice in the way a supervisor evaluates his/her employees' performances; this is likely to be the case in the local Saudi banks, where females are evaluated differently from males because their supervisors are more likely to emphasize certain aspects of their performance (Heilman & Chen, 2005; Liao *et al.*, 2009).

## 5.9 Chapter Summary

The aim of this chapter was to examine the relative importance of the effective adoption and implementation of high performance HRM practices as experienced by employees. The chapter presented the results of the mediation analysis of employee experienced high performance HRM practices between ownership pattern and four employee related outcomes, namely, employee-perceived high performance practices effectiveness, organizational fairness (distributive and procedural), and employee-perceived organizational commitment. The mediation analyses were examined using Baron and Kenny's (1986) three steps procedures and the results were coupled with significance tests. All of the analyses were carried out using a series of hierarchical multiple regressions, where control variables were entered in the equation first, followed with, where relevant, the analysis, predictor and mediator. The results support the main thrust of the ownership pattern advantages argument about the relationship between ownership patterns, employee experienced high performance HRM practices, and the four related perceptions of effectiveness outcomes. The results show that there is a positive significant relationship between ownership pattern and the related outcomes perceived by the employees, meaning that employees in international joint venture banks perceive more effective high performance HRM practices, organizational fairness, and organizational commitment compared to employees in local Saudi banks. The findings also reveal that the effective adoption of high performance HRM practices is positively associated with ownership patterns. In other words, the findings show that employees working in international joint venture banks experience more effective adoption of high performance HRM practices compared to employees in local Saudi banks. It also shows that the effective implementation of high performance HRM practices results in a higher perception of their effectiveness, fairness and commitment. Lastly, the results also indicate that there is a significant mediatory effect of ownership patterns and employee-perceived related outcomes

through the effective adoption and implementation of HPHRM as experienced by employees. A summary of the results is shown in table 5.18.

**Table 5.18: Summary of the result**

<b>Variables (perceptions of effectiveness outcomes)</b>	<b><i>Mediation relationship of employee experience of HPHRM practices</i></b>	<b><i>Confirm of the relationship</i></b>
<b>HPHRM Effectiveness</b>	Support – Full mediation	Sobel ( $z= 8.12, p =.000$ ) ( $\beta=.2540$ ; CI=.1929 to .3207)
<b>Distributive Fairness</b>	Support – Full mediation	Sobel ( $z= 7.95, p =.000$ ) ( $\beta=.3524$ ; CI=.2647 to .4342)
<b>Procedural Fairness</b>	Support – Full mediation	Sobel ( $z= 8.87, p =.000$ ) ( $\beta=.4004$ ; CI=.2996 to .5042)
<b>Organizational Commitment</b>	Support – Full mediation	Sobel ( $z= 7.85, p =.000$ ) ( $\beta=.3222$ ; CI=.2467 to .4040)

Given the fact that the survey results only present the relationships and do not provide details of the how and why employees experience and perception accrue, the results of the in-depth interviews were also provided for a more fine-grained account of the findings that have emerged from the statistical analysis. Unlike the case of local Saudi banks, the statistical findings and interviews data suggest that ownership pattern in international joint venture banks was utilized well and resulted in the effective adoption and implementation of high performance HRM practices, which has thereby become ‘path influential’ for employee perception of effectiveness, fairness and commitment. This calls for an in-depth analysis to shed light on the various aspects behind the effective implementation of high performance HRM practices in international joint venture banks, compared to the situation in local Saudi banks, which has been neglected in the existing literature of IHRM in international joint venture. Therefore, the next chapter provides an explanation of the organizational process/mechanisms that enable international joint venture banks at the micro level to achieve a more effective implementation of high-performance HRM practices.

## **CHAPTER SIX**

# **THE EFFECTIVE IMPLEMENTATION OF HRM PRACTICES**

### **6.1 Introduction**

The analysis process described in the previous chapter has shown that, to a certain extent, both sets of banks (IJVs and LOs) adopt similar high performance HRM practices. The results show a great deal of variation, between the two sets of banks, in the employee experience and perceptions of the operation and effectiveness of high performance HRM practices. While the employee experience and perception of HRM effectiveness are influenced by a wide array of factors, some of which were examined in the regression analysis, evidence drawn from the interviews suggests that the IJV banks were more effective than the local (LO) ones in implementing HRM practices. The implementation of HRM practices is referred to as the variation in the operationalization processes throughout the banks, whether effective or ineffective, which results in a variation in the employee experience and perception of its effective outcomes (Khilji & Wang, 2006; Wright & Nishii, 2007).

Drawing on the managers' and expatriates' interviews, the aim of this chapter is to shed light on and explore the processes and mechanisms that enable IJV banks to implement HRM practices more effectively compared to LO ones. Thus, the chapter provides a comparison between the two sets of banks in terms of how and through whom they operationalize these practices. To achieve this aim, this chapter draws upon data gathered from a total of 12 interviewees, including four HR managers, six line managers and two expatriates (in IJV banks). The evidence collected from the interviews indicates that three key interrelated processes and mechanisms contribute to the

variations in HRM practice adoption and implementation between the two sets of banks. The factors which influence the outcomes of these processes/mechanisms include: a) the strategic role played by HRM functions and HRM integration; b) the role played by the line management; and c) the role played by internal learning via expatriates (as opposed to that played by external learning through consultants in the LO Saudi banks). The impact of these three factors will be explored in that order. This analysis was developed to compare the two sets of banks in terms of their effective implementation of HRM practices. Where there is a variation in the effectiveness of the implementation process within the four individual units under analysis, this will be emphasized. The chapter will end with a summary comparing the key aspects of these processes/mechanisms among the two sets of banks.

## **6.2 The strategic role played by the HRM function**

The findings of this section are related to the strategic role played by the HRM function and the strategic integration of HRM and how it is related to the effective adoption and implementation of HRM practices. More specifically, over the last few decades, the debate on the HRM function has shifted from its traditional administrative and reactive role, micro focused on cost control and administrative activities, towards a macro strategic paradigm. This has occurred as the HRM function has become more proactive, taking on a strategic role and sharing ideas and resources with various departments to enable organizations to play out their business strategies and achieve competitive advantages (e.g. Boxall, 1994; Ulrich, 1997; Budhwar, 2000; Barney & Wright, 1998). This shift has given birth to a new field of research referred to as Strategic HRM (SHRM), which has become widely acknowledged. Its literature combines strategic management literature, which broadly attempts to match or fit the firm to its environment, and HRM literature (Allen & Wright, 2006). One of the most commonly used definitions in the existing SHRM literature was provided by Wright and McMahan (1992, p. 298). The authors defined SHRM as a planned pattern

of human resource (i.e. people as a source of competitive advantage) deployment and activities (i.e. HR practices, policies and system) intended to enable organizations to achieve their goals and objectives. Based on this definition, an HRM department interested in giving HR a strategic role must be aware of the business goals and of the types of skills and behaviours required of individuals and implement an HR system suited to achieve these goals (e.g. Wright & McMahan, 1992). To date, ample evidence has been provided by studies which found a positive relationship between SHRM and organizational performance. More precisely, the evidence has shown that the level of adoption of SHRM and HR practices was higher in foreign- and private-owned enterprises than in state-owned ones and that both SHRM and HR practices have a positive relationship with financial and operational performance (Ngo, Lau, & Foley, 2008; Yu & Egri, 2005). Human capital is important for an organization's competitive advantage and performance, and firms have to be careful to recruit the right people for the right positions, and provide them with the appropriate training and development so enable them to contribute to achieve the overall organization goals. It is therefore reasonable to assume that IJV banks are more likely than LO Saudi ones to push for HRM practices to play a more strategic role that can enhance their effectiveness. In this study, the evidence drawn from the interviews shows that, in the two sets of banks, the HRM function differs in three important aspects: a) its strategic role within the corporation, b) the structure and organization of HR activities and c) the professional backgrounds of the HR managers.

### ***6.2.1 The strategic integration of the HRM Function***

At the heart of the SHRM argument are the various fits of the HR strategy. Budhwar and Aryee (2008) defined two modes of fit: internal and external. While the former is “the case when an organization is developing a range of interconnected and mutually reinforcing HRM policies and practices”, the latter is “the case when an organization is developing a range of HRM policies and practices that fit the business strategy outside the area of HRM”. The interviewed HR managers from the two sets of banks (IJVs versus LOs) indicated that HRM has shifted from being a purely administrative function to become a more strategic one. They also claimed that there is a vertical fit and that they have become heavily involved in developing bank business strategies at the board level. The following quote by an HR manager from the LO1 bank is indicative:

*The HRM function is completely strategic due to the fast changes and strong competition in the local market. For example, we had a strategic plan to localize jobs; this was coupled with an expansion in the numbers of branches over a period of years. Hiring new employees and replacing foreign ones requires finding the best candidates in the best place at the best time; these sorts of developments have to be well planned strategically. (LO1GM).*

Similarly, the following quote from the HR manager from IJV2 is indicative:

*Yes, HRM is a strategic function; we believe that HR has moved from just being a processor to become a commercially driven business support unit. We in the HRM department are exposed to the bank's business needs and work closely with other departments to understand theirs. Besides that, we believe that attracting the right people, training them, rewarding them, and retaining them are altogether to be considered as the main key to overall performance and competitive advantage, as these individuals will move the organization forward. (JV2GM)*

The findings indicate that both sets of banks claim HRM to be a strategic function closely integrated with business planning. The variation between the IJV and local Saudi banks appears in the central dynamic relation of the HRM department with other departments at the functional level. In other words, from a strategic function perspective, HR managers and/or the HRM



department have to be at the centre of an organization and become integrated and/or distributed within the overall organization by creating integrative links (e.g. Khatri & Budhwar, 2002). This results in a closer relation with other departments and in an understanding of their resource needs that can support effective adoption and implementation of HRM practices throughout the bank. To ensure that HR strategies are communicated constantly to other businesses along with relevant resources and information, the IJV banks have created a relationship manager position (or business partner), an idea they transferred from their foreign headquarters. Relationship managers work as attachés of their business units within the HRM department, enabling each business unit to have a point of contact within the HRM department. Relationship managers are familiar with HRM functions and with the business units they have been detached from. The following quote from the HR manager in IJV1 is indicative:

*The HRM department is divided into generalists and specialists. While the specialists are employees carrying out HRM practices (e.g. resourcing, performance management), the generalists are relationship managers with backgrounds in all HRM practices. Relationship managers are our eyes in different business units. Relationship managers are important for us not just for delivering the resources needed for the businesses to support our human capital in achieving their goals, but also to ensure that HRM practice decisions are delivered in a consistent manner. To this end, these managers are involved in various things, such as monthly business meetings, objective development, and performance evaluation. (IJV1GM)*

More precisely, from the HRM perspective, the HR manager in IJV1 continued as follows:

*In distributing bonuses, relationship managers provide businesses with guidelines based on employee grade, salary, and performance rate, including limits that cannot be exceeded by line managers. This is to support the managers in the business units in making the right decisions in distributing bonuses and protecting employees. (JV1GM)*

A similar view was also shared by the HR manager of IJV2. He stated that:

*Relationship managers have removed some of the causes of the confrontation that used to take place between HRM units and the employees of various business units over some HRM practice decisions; they play a dynamic role between all the actors within the bank. (JV2GM)*

Therefore, the HRM department has become integrated and/or distributed within the overall organization, creating more integrative links through the relationship managers. Relationship managers not only deliver HR strategies and the relevant resources and needs for different business units, but also play a considerable role in ensuring that HRM practices are effectively adopted and implemented. In addition, this has given HR managers the freedom to contribute more at the strategic level.

In the LO banks, the interview data reveal that the HR function is operated separately from the line function. Their interviewed HR managers acknowledged the importance of creating relationship manager positions and highlighted the advantages experienced through them by the IJV banks. At the same time, according to the HR managers, some HRM practices (selection, performance management, compensation) are devolved to each business unit. When the HR manager in bank LO1 was asked about his degree of involvement in the HRM function carried out in the different business units, he commented:

*In our bank, we respect and trust the line managers' decisions because they are the ones working closely with the personnel and the ones who perform the evaluations. (LO1GM)*

Unlike the IJV banks, it appears that LO banks have one-way links and a lower degree of integration between the HRM with other departments. This results in HRM practices being devolved to the line management without any direct mentoring, which can reflect on the degree of effective HRM practice implementation.

In terms of the horizontal fit of HRM practices, the interviews with HR managers show that it is given equal importance in the two sets of banks. In IJV banks, the interview data point at the importance of bringing the banks to adopt a performance driven culture so that individual performance becomes the centre of HRM decisions. Furthermore, the interviewed line managers from the IJV banks also acknowledged the internal consistency of HRM practices and the considerable importance given to individual performance in making various HRM decisions. On the other hand, internal consistency appeared to be less effective in the LO banks. Although the LO banks' HR managers emphasized internal consistency, inconsistencies merged between the views of the line managers and those of the employees (as seen in the previous chapter). HRM decisions are mainly left to line managers but, although HRM performance categories are part of the formal HRM process, they are not utilized. The following quotes are indicative.

An expatriate in IJV1 had this to say about the internal consistency of HRM practices:

*We have adopted a more performance driven culture; individual performance is the driver of all decisions, such as reward distribution and promotion opportunities, and our training is linked to individual performance and driven by business needs. As a result, we have introduced a world class performance management system and ensured that our staffs are familiar with it. Having done this, we have become a more systemic bank and reduced individual cultural influences such as favouritism. (JV1EX1)*

A line manager in IJV 1 had this to say about the role of performance appraisal:

*Our decisions are now guided by individual performance. There is no way to go around or make wrong decisions because it is clear to everyone that levels of performance results are linked to outcomes (e.g. how many salaries as bonus for each grade of performance level). (JV1LM1)*

A similar sentiment was expressed by a line manager in IJV2:

*Giving considerable importance to performance appraisal throughout the bank helped all of us. It encourages employees to work harder to achieve their goals because they know the rewards of high performance in advance and, at the same time, it helps us line managers to give everyone what they deserve. (JV2LM1)*

In bank LO1, a line manager was asked about internal consistency among HRM practices and commented:

*The problems in this bank all result from the absence of a coherent integration system of HRM practices that consider individual performance at the centre of every decision. It is true that the bank recognizes the problem and is working on solutions but for the time being our bonus distribution will continue to be influenced by line and senior manager judgements that are based on who get what, and our promotion is based on me convincing upper managers to support the decision. (LO1LM1)*

Overall, the interview data suggest that, as a function of the relative strategic importance given to HRM, it is more likely to be implemented effectively in IJV banks than in LO ones. The interview data show that both sets of banks have a vertical fit, but the IJV banks have a tighter inter-correlated fit among HRM activities. In addition, the HR departments of IJV banks play a vital dynamic role in these processes by integrating business units and sharing resources through relationship managers. By contrast, the data reveal that LO banks emphasize a more vertical fit and are moving towards a coherent internal fit. This lack of integration in HRM practices suggests that they may be viewed in isolation (e.g. Grundy, 1998), resulting in a less effective implementation. In addition, the data also suggest that there is a variation in internal consistency perception in LO banks between HRM and line managers (e.g. Wright & Nishii, 2007). This could result in a less effective implementation of HRM practices due to the focus on vertical integration and the devolution of HRM activities to line managers without any control over the extent of their implementation. This can cause employees to lose confidence and trust in the HRM department, which is responsible for advocating employee needs (e.g. Hope Hailey *et al.*, 2005; Harries, 2007). This result is also in line with parts of the existing literature that indicates that, in their international operations, MNCs have entered a strategic investor phase by giving more strategic importance to the HRM function in their subsidiaries compared to other local firms (e.g. Braun and Warner, 2002; Ding & Akhtar, 2001; Ngo, Lau, & Foley, 2008). More precisely, unlike LO banks, IJV

firms employ expatriates that view the strategic role of HRM as vital for their organizations, given that the strategic concept of HRM was developed in a Western context (e.g. Ding & Akhtar, 2001).

### **6.2.2 Structure and Organization of HR Activities**

IJVs have become a source of various new types of knowledge, including the transferability of HRM practices that can result in a competitive advantage in the local market. Similar structures of HRM units and regular contacts with the parent companies can presumably facilitate the transfer and adoption of HRM practices and enhance their effective implementation. The interview data indicate that IJV banks have adopted similar HRM department structures to those found in their foreign headquarters. For example, bank IJV1 has adopted a structure that groups learning and training into a single unit, as is also the case of resources and talent. As a result of this foundation similar to that of its foreign partner firm, it is easier for bank IJV1 to effectively adopt HRM practices. The HR manager of IJV1 had this to say about the structuration of the HRM department:

*This structure is new in the local market and we believe this step to be an option for us if we seriously want to give the HR department a more strategic vision than the normal traditional day-to-day activity and to maximize the benefits of the practices transferred (e.g. criteria, objectives) from our foreign partner. Now we have created the foundation to receive and adopt global HRM practices, and we know who operationalizes what and how. (JV1GM)*

The interview data reveal that, in IJV banks, regular meetings are held between the HR managers and personnel of the local partner and their colleagues from the foreign partner. These meetings influence the extent of the effective implementation of high performance HRM practices. Apart from the regular meetings, in person and through conference calls, between the head personnel of the local HR department and their foreign counterparts, the IJV banks have adopted a functional management practice. This policy refers to the direct contact and reporting between the local HRM unit and the head of the HRM unit of the regional head office. For example, the local general

manager reports directly to the head of the local bank and to the head HR manager of the foreign partner's regional head office. Similarly, the head of the local training unit reports to the HR general manager of the local bank and to the head of the training unit of the regional head office. The aim of this integrative communication was explained by the HR manager of bank IJV2, which also reflects the position of bank IJV1:

*The local HRM general manager performs the evaluation and decides the pay rise for the local heads of the units (e.g. performance management unit), but the latter report to and are in daily contact with the heads of the corresponding units in the head office. This is important for us to keep up to date on new practices and to resolve any issues relating to the execution of HRM practices. (JV2GM)*

This vertical and/or horizontal communication link between each unit in the local HR department with the corresponding foreign based unit has created a tight relationship that provides the local partner with a continuous window on the latest updates in the HR practices and guidelines for their sufficient implementation. In the case of LO banks, the HR managers revealed that they rely on external resources (e.g. consultancy firms) and adopt the new practices that they deem to be necessary for the business. In other words, while international joint venture banks have regular and constant access to new resources and tools for their effective operationalization, local Saudi banks may face a lack of ability to effectively execute HRM practices. Accordingly, the following quote from the HR manager in bank LO2 is indicative:

*We cannot be compared to IJV banks because they take what they need in terms of HRM practices from their foreign partners, who have international experience of best practices and have invested heavily in their systems and business. For us, we evaluate what HRM practices we think are important (e.g. talent management programme) and find a way to adopt them. (LO2GM)*

Overall, the data show that IJV banks are enjoying the advantage given by the presence of their foreign partners by adopting similar global strategies, structures and systems. This has resulted in

the strategic role played by the HR department and in the effective adoption and implementation of high performance HRM practices through direct and constant external networking. This direct dialog between the managers in IJV banks and those in the foreign subsidiaries facilitates the sharing of knowledge and, more precisely, that of tacit knowledge. This result is in line with the findings of Sumelius *et al.* (2008) who argued that the internal social contact of subsidiaries operating in China with their parent MNCs through a people-based mechanism was positively related to the HRM departments' strategic capabilities. In addition, the results also contradicted their hypothesis of there being no relationship between the contact with MNCs through people-based mechanisms and the development of technical HRM capabilities in the subsidiary. The result in this study shows that the constant and direct contact between the business headquarters and the heads of the units of the foreign regional head office plays a significant role in enhancing the absorptive capacity of the local banks and managers. In the case of LO banks, consideration regarding the need for a policy and its degree of sufficient execution can be a vital confronting issue. In addition, despite local Saudi banks having adopted high the performance HRM practices, it appears that such adoptions are based on isolated need for individual HRM practices rather than a view of these practices as part of a whole system. Lastly, it appears that local Saudi banks are looking up at IJV banks and seeking better developed HRM practices, which indicates mimetic isomorphism. The following quote by an expatriate in bank IJV1 is indicative:

*Our competitors want to know how to effectively operationalize some practices (e.g. calibration techniques for performance management and the talent management approach). They want to replicate what we have already started. This make us feel good for having raised the standards in the local market. (JVIEX1)*

### **6.2.3 HR manager backgrounds**

The influence of the HR managers' backgrounds (e.g. education and experience) is self-evidently of major importance. The findings of this section shed light on the relationship between HR manager backgrounds and the effective adoption and implementation of HRM practices. The literature indicates that HR managers' competencies, such as business and technical HR knowledge, analytical and visionary skills in managing HR, and people management skills, are important for the role and status of the HRM department (Khatri & Budhwar, 2002). Furthermore, the existing literature also indicates that the HR managers' experience within and outside the HRM department is considered to be important for the internalization of HRM practices in subsidiaries by their general managers and further enhances the status of the HRM department (e.g. Reichel, Brandi, & Mayrhofer, 2009; Bjorkman, Ehrnrooth, Smale, & Johan, 2011). Lastly, the literature also highlights the vital role played by the HR manager's international experience. This matters in terms of their perception of legitimate HRM practices and of their capacity to absorb and apply new HRM practices (Bjorkman *et al.*, 2008).

The interview data reveal that there are variations in the backgrounds of the HR managers in the two sets of banks, which result in the more effective adoption and implementation of HRM practices in IJV banks than in local Saudi ones. As indicated above, the interview data highlight similarities in the competencies or skills of the HR managers of the two sets of banks, such as business and technical HR knowledge and analytical and visionary skills in managing HR; however, their people management skills appear to be different. People management skills include the development of team-work and of close working partnerships with other departments. As noted earlier, it is apparent that HR managers in local Saudi banks are detached from the line management; whereas, in IJV banks, relationship managers play a vital role in this partnership (to be discussed in further detail in the next section). Moreover, the creation of a partnership is not only aimed at the sharing of resources but also at ensuring the effective implementation of HRM



practices and protecting employees. As noted in the previous section, the HR managers of the LO banks devolve some HRM practices to the line management and do not get involved in the process of how these practices are carried out. This has resulted in a less effective implementation of HRM practices as experienced by employees. The following is a quote from an employee of bank LO2:

*As far as I can see from my years of experience, many colleagues, including myself, work beyond what we are told to do, then someone else, who is related to the general manager, gets promoted. It gives a bad impression of the whole system. The other problem is that no one, including the HR department, can question the general manager's decision. (LO2E2)*

The analysis of the interview data shows that HR managers are highly qualified and obtained their positions through mobility within and outside the HRM function. This is considered to be important for the HR department status and for the relationships with the line managers. However, the international experience of HR managers varies between the sets of banks. Although the HR managers in all four case study banks are Saudis nationals, those in IJV banks had previous international experience either within their foreign partner and/or other international banks either locally or internationally. This afforded them a higher level of exposure to international HRM practices. For example, prior to working for bank IJV2, the HR manager had gained international experience working for three IJV banks and had been responsible for the HRM departments in 27 countries. He argued that:

*With international experience, you become familiar with what constitute effective HRM practices and how they should be operationalized throughout the bank. Now, I realize that we are in an alliance; so why don't we take advantage of it. We not only adopt our partners' best practices and seek their help on technical issues, we also send our most talented employees at different levels to train and get the best experience in the business. (JV2GM)*

An expatriate in IJV1 had this to say about the competency and experience of the HR manager:

*Although we operate independently from the international bank and have no control over their operation in the kingdom, we still integrate most of our HRM practices with our foreign partner. This is because we have a highly qualified and experienced HR manager who used to work at the foreign partner's regional head office and is willing to push for top-class HRM policies and practices. (JV1EX1)*

The selection of HR managers with international experience may also be greater in the Saudi context due to the characteristics of local cultural and individual influence over the process. As seen from the evidence, local Saudi bank HR managers, with their lack of international experience, are more likely to either resist or hinder change than their counterparts in IJV banks, which reflects on the effective adoption and implementation of new HRM practices. Accordingly, this result is in line with (Bjorkman *et al.*, 2008: 975), who, based on institutional perspective, argue that “HR managers are likely to enact what they have been exposed to in their past and refrain from supporting unfamiliar practices and roles – thus, persons recruited from local organizations are less likely to adopt HR department roles from the MNC parent company”, and that “managers recruited from other units of focal MNC or other (leading) MNCs [are] being perceived as more competent and thus in a better position to take on a strategic role”.

### **6.3 The role of line management**

The previous section highlighted the role of strategic HRM and HRM integration on the effective implementation of HRM practices as experienced and perceived in IJV banks and compared to local Saudi banks. This section reports the second mechanism that is related to the role played by line management in the effective implementation of HRM practices. In recent years, the considerable importance of the line managers' role has received much attention by both academics and practitioners emphasizing the dramatic change in their function in both public and private

organizations. More precisely, as HRM is an aspect of all management jobs, it follows that line managers will be more intimately involved in the delivery of HRM, particularly in their relations with their own teams (Gunnigle *et al.*, 2006; Truss, 2001; Macky & Boxall, 2007; Gilbert *et al.*, 2011), as it has been argued that line managers bring ‘HR policy to life’ (Purcell & Hutchinson, 2007). Recent existing literature emphasizes the impact of the allocation of HRM responsibilities to line managers and the extent of the effect of their involvement for the organization. Therefore, research on the devolution of HRM practices to line managers (e.g. Perry & Kulik, 2008) and its relation to the arguments of line managers as agents in the HRM–performance link (e.g. Purcell & Hutchinson, 2007) are at the centre of this discussion. The managers of interest in this thesis are those responsible for a section or a group of individuals. This includes supervisors and front line managers in the middle and lower management layers. Purcell and Hutchinson (2007, p. 4) defined line managers as “those in the lower echelons of the management hierarchy with immediate responsibility for their subordinates’ work performance”. Line managers occupy a unique position at the centre of an organization, bridging the top management goals and objectives with the employees (e.g. Nonaka, 1994; Wai-Kwong *et al.*, 2001). This allows them to be well integrated in the work processes and act as knowledge-sharing facilitators (MacNeil, 2003). As such, Storey (1992, p. 190) argued that line managers may well “be playing a far more central role in labour management” than, for instance, HR personnel. In addition, the roles played by line manager in HRM have been experienced not only in conducting performance reviews, taking decisions on promotion opportunities, and being involved in delivering termination (e.g. McGovern *et al.*, 1997), but also in other HR activities that include, among others, recruitment and selection, career planning, involvement in the design of training activities, delivering HRM development as trainers, occupational health and safety compliance, and organizational culture development (e.g. Larsen & Brewster, 2003; Kulik & Bainbridge, 2006; Watson & Maxwell, 2007). As a result, line managers are at the centre of an organization’s operation, which places them in the middle of the flow of knowledge that, in turn, puts them in a vantage point for the

understanding of organizational realities and people management issues, and implementing HRM strategy, especially if the organization is engaged in the devolution of day-to-day HR activities. Throughout the interviews, three plausible reasons appeared that correspond to and differentiate the effective implementation of high-performance HRM practices in IJV banks, as opposed to local Saudi ones. The three reasons are a combination of interrelated characteristics including: a) competency, b) support of the HRM department and c) line manager leadership behaviour.

Prior to discussing these three features in further detail, it is essential to acknowledge that, throughout the interviews, agreements emerged among several aspects of the relationship between line managers and the devolvement of HRM practices. The interview data at the managerial level indicate that all four case study organizations had devolved their technical HRM practices to their line management. For example, the interview data acknowledged that recruitment is organized by the HRM department, but selection in both sets of banks is formally carried out by the line manager in the relevant department. In addition, the line manager conducts performance management assessments in terms of developing the objectives and providing employees with evaluations, and makes decisions regarding promotion and compensation. In addition, the line management in IJV banks plays an essential part, along with the HR department, in identifying talented employees, and in engaging in the process of training needs assessment with the employees. Furthermore, the line managers who were interviewed in this study in both sets of banks indicated that they are actually keen to undertake HR activities. Line managers across the banks shared similar views of the reasons behind their willingness to get involved in HR activities, namely: having close and direct links with the employees, understanding their needs, and being part of the team building process. In addition, the data also indicate agreement among the employees in IJV banks about the similarity of the ways/techniques in which HRM activities are carried out by their line managers in different business units. Conversely, the employees of the local Saudi banks indicated variation among different departments. For example, while employees

from different departments of the IJV banks reported both engagement in developing their objectives and discussing their evaluation, those of the local Saudi banks reported different experiences from one department to another. A possible explanation of this variation between the two sets of banks could be related to the extensive involvement of the HRM department via the relationship manager (RM) in mentoring and ensuring similar implementation of HRM practice across the different departments of IJV banks.

### ***6.3.1 Competency of line managers***

A key theme that emerged in this study and that can result in variation in the effective implementation of high performance HRM practices, is the competency of the line managers or, more precisely, their selection and training process. In terms of their selection, the line manager positions in the four participating banks were fulfilled internally based on individual performance and experience. Prior to filling the positions, the IJV banks implemented a talent management programme transferred from their foreign partner and adopted, in terms of the criteria, through expatriates and their Saudi colleagues in the HR department. The aim of this programme was to identify talented employees that could occupy future managerial positions based on their individual skills and behaviours. The HR managers in the IJV banks emphasized the role played by these employees as representatives of their banks towards their colleagues. Accordingly, the HR manager in bank IJV2 indicated that:

*Selecting line management personnel is not an easy task for us. We need to carefully select who we choose for these positions as they need to have what it takes because it goes beyond achieving bank targets. I believe that people don't leave companies, they leave leaders.*  
(JV2GM)

An expatriate from IJV 1 had this to say about identifying talented employees for future managerial positions:

*The talent pipeline is a separate group of people of high potential who we want to grow as future leaders in line and senior positions. Investing in these people is a risk we need to take. They are identified through a talent assessment exercise that incorporates nine box exercises which are a globally-accepted method to recognize talent. Basically, consistently high performance is not enough on its own; it has to be coupled with potential leadership behaviour to show potential for bigger roles. (JVIEX1)*

The interviewee continued as follows:

*We do not tell them they are in the talent pipeline, but it is clear to them because they are treated differently as they are in line for bigger roles. We look at each of them as they are now and in the perspective of their future positions and, based on this, we identify the gap in skills and behaviours of each of them. Therefore, they get additional development opportunities, including overseas training or involvement in other department projects, depending on the need. (JVIEX1).*

The rationale of local Saudi banks in appointing line management positions appears to be different. For example, bank LO1 has recently adopted a talent management programme for future managers. However, this mainly focuses on individual education grades and some selective exams. Following this, the appointees are provided with nine months of on-the-job and internal training within the country when needed. At the end of the programme, individual participants are allocated to different departments and their progress to further positions is taken from there. However, although these employees are involved in advanced training programmes compared to their colleagues and this provides them with an advantage for promotion, the final decision is still left to the general manager of the relevant department. In other words, the selection of the line manager positions is left to the general manager in the relevant department and is based on individual experience, not just on the talent programme. This sentiment was expressed from a line manager of bank LO1:

*Our selection process for all levels, but more precisely for managerial positions, still suffers from the influence of personal relationships. This is because we don't have clear selection criteria in the first place. We have the future manager programme but, like all other ideas, it is not utilized effectively. With the new performance appraisal process we adopted last year, the opportunities for a fair selection of the right people are getting better. (LO1LM1)*

In the case of bank LO2, the decisions for line management positions are left to general managers and are based on the availability of higher positions as well as individual experience. Therefore, the effective implementation of HRM practices is more likely to vary in local Saudi banks than in IJV ones. In the latter, the data indicate that valid line management candidates are identified through a long process and prepared over the years for their future positions based on high performance and potential leadership behaviour.

The second theme in line management competency is the on-job-training of line management for HRM tasks. The interview data reveal variation between the two sets of banks in the formal training given for line managers to work on HR activities. In the case of IJV banks, formal training programmes and courses on operationalizing and delivering various HR activities (e.g. selection techniques, identifying training needs, developing objectives and evaluating performance) are offered for line managers both before and after they are given the position. The courses also include leadership behaviour, which emphasizes the relationship between employees and line managers. Furthermore, line managers are constantly updated by HR department emails and other formal direct workshops in each business unit to ensure that both senior and line managers are kept up to date with any new developments in effective HRM practices and their implementation process. This has resulted in ensuring consistent leadership behaviours of line managers and the consistent implementation of HRM practices throughout the organization. A line manager from bank IJV1, had this to say about the formal training for operationalizing HRM activities:

*There is no excuse for not performing HR activities effectively. I took HRM and leadership courses and workshops both before and after taking this position, both internally and externally to the bank. Besides that, HRM activities have to be delivered correctly because it is part of my job role and performance evaluation, and it is my responsibility towards my team. (JV1LM2)*

Similarly, a line manager from bank IJV2 reported the following:

*Leadership and HRM courses are part of my training for this position. We also have workshops in delivering HRM practices run by the HRM department and, in this department, we have also constant meetings with other line managers to talk about various topics related to the business and its employees, including HRM. (JV2LM2)*

In the case of the two local Saudi banks, the data reveal that their HRM departments conduct workshops and short visits to each business unit for the benefit of all managers across the banks explaining how to operationalize newly adopted HR activities. More recently, the banks have conducted workshops on performance management for line and senior managers. One of the line managers from bank LO1 described this as follows:

*For us, HRM activities are like the luggage that comes with the position. We have a half day workshop and a short visit by some specialist from the HRM department to explain in theory how to develop clear objectives and provide clear evaluation, but this is still not enough, especially for people like us. We have no basic knowledge of HRM; how can they expect us to deliver effectively after just a half-day's training. (LO1LM1)*

Therefore, line manager competency clearly plays a more vital role in the effective implementation of high performance HRM practice in IJV banks than it does in local Saudi banks. More specifically, IJV banks are selective in filling line manager positions and the candidates are prepared in various aspects of their future role, including HRM activities and leadership behaviour. Furthermore, line managers are also encouraged to deliver HRM effectively by incorporating HRM practices as part of their performance appraisal. On the other hand, line managers in local Saudi banks appear to be provided with less formal training in conducting HRM activities and the selection process is strongly influenced by local cultural and social norms.



However, these findings are in line with those of past studies on the effective carrying out of HRM duties and on the required degree of training. Past research indicates that the effective adoption of HRM practices relies on the line managers' own motivation and competency, and it also suggests that insufficiently trained line managers are more likely to undermine a bank's capacity to perform HR activities (e.g. Purcell & Hutchinson, 2007; Perry & Kulik, 2008; Budhwar, 2000). Thus, although both IJV and LO banks provide training for line managers, it seems that the former are more consistent and persistent in ensuring the competency of their line managers to carry out HR functions in an effective manner.

### ***6.3.2 The partnership between line managers and the HRM department***

Further to the discussion presented above, this section highlights the relationship that exists between the HRM department and the line managers, and the way in which it influences the effective implementation of HRM practices. Previous research indicates that the under-utilization of line managers does occur in organizations in which they are required to take part in the implementation of HRM activities without adequate support from the HR department (e.g. Brewster & Larsen, 2000; Whittaker & Marchington, 2003; Maxwell & Waston, 2006). Chen *et al.* (2011) and Kim and Ryu (2011) indicate that the line managers' assessment of HR function effectiveness is positively related to their cooperative partnership with the HR department. Similarly, past research advocates greater communication between HR and line managers, as Kulik and Bainbridge (2006) concluded: "line managers need access to communication channels in order to communicate their needs for support". The support channel of the HRM department can also include a technological information system accessible to line managers for further information on HRM activities (e.g. Renwick & MacNeil, 2002). Accordingly, Renwick and MacNeill (2002) and Papalexandris and Panayotopoulou (2005) suggested that line managers could be able to handle HRM work without the assistance of the HR department but with the support of new technology, such as HR intranets and call centres within organizations.

The interview data indicate that the proactive engagement in partnership relations between the line manager and the HR manager and/or department in IJV banks plays a more vital role in the effective implementation of high performance HRM practice than it does in local Saudi banks. In the latter, the interview data show (as previously presented) that there is a lack of partnership between line and HR managers, prevalently from the HR department side. HR activities have become part of the line manager's job role with little need for encouragement, coaching and/or mentoring in its operationalization. In addition, as noted earlier, there is a lack of HR manager involvement in the process of implementing HRM practices and lack of support with the relevant information needed for the line managers to carry out their HR role. While the HR managers in the LO banks emphasized that there is a partnership with other departments and a sharing of resources, the line managers differed in their view. A line manager from bank LO1 had this say about the supposed partnership relation with the HRM department:

*No, I wouldn't call it a partnership. It is a one-way communication. I referred to HRM department for several HRM practice issues recently with this new performance management policy. The responses are always unsatisfactory and slow, which requires me to set aside what I actually should be doing to send emails and seek answers. (LO1LM1)*

The line managers from the IJV banks revealed that there is a partnership relationship with the HRM department. This was developed through the effective utilization of the relationship manager (RM). The relationship managers work closely with the business units to ensure the effective implementation of HRM practices, fulfil their resource needs and attend their meetings. In addition, the data also show that line managers are given all of the relevant information they need to make their HRM decisions, such as a reports of individual performance grade and expected bonuses and promotions. Lastly, the support of the organization and of the HR department is also demonstrated by the HR information system put in place for line managers in IJV banks. The aim of this software is to provide line managers with answers to all of their common questions and concerns, templates (e.g. main objectives), and tutorials to explain the procedures and processes.

The following is a quote from a line manager from bank IJV1, regarding the question of partnership:

*We work closely with the HR department. The relation manager attends our weekly meetings and we constantly discuss what we need to achieve our business objectives along with other aspects related to HRM activities. Besides this, we have online tutorials for the most common concerns and questions in implementing HRM practices. If the problem persists, we can still approach the HR department for any further questions in particular aspects and we will get comprehensive answers. (JV1LM2)*

Therefore, the partnership between the line managers and the HRM department for the provision of constant access to relevant HRM information can be considered to be vital for the effective implementation of high performance HRM practices. This differentiates the IJV banks from the LO ones.

### **6.3.3 Line manager leadership behaviour**

The leadership behaviour of line managers towards their employees was also an important factor in the effective implementation of high performance HRM practices and in the employees' experience and perception of them. Line managers, as indicated previously, are at the 'interface between the strategic intentions of senior management, and the implementation level, i.e. facing the team' (MacNeil, 2003). Furthermore, Purcell and Hutchinson (2007), in their work on the ways in which individual line managers influence the employee experience and/or perception of organizational HR, incorporated their leadership behaviour towards their subordinates. This behaviour is aimed at enhancing the subordinates' attitudes and behaviours and providing them with direction in their daily activities by means of support and consultation. The authors concluded that there is "an interactive and dynamic relationship between the leadership behaviour of front line managers (FLMs) and the impact of HRM practices" (p. 16). Line managers are seen as agents of their organizations and their subordinates perceive their orientations towards them as a measure of the overall support with which their organizations provide them (Eisenberger *et al.*, 1986). This

premise builds upon the fact that it is widely believed that perception of supervisor support is an antecedent of perceived organizational support. It is therefore important to acknowledge that this thesis does not examine leadership styles other than focusing on that of the line managers – employee relationship with HRM practices in terms of partnership and of two-way sharing of information, fair employee treatment, and consideration of employee formulated suggestions – which will influence the employees’ experience and perception of HRM practices. As noted by Purcell and Hutchinson (2007: 4), “poorly designed or inadequate policies can be ‘rescued’ by good management behaviour in much the same way as ‘good’ HR practices can be negated by poor front line manager behaviour or weak leadership”.

The interviewed line managers indicated that there is a close relationship with their subordinates in terms of support, development and consultation. The following female line manager from IJV1 had this to say about the relationship with employees:

*I work closely with my team and I aim to create a friendly environment. I was appointed to this position two years ago and I have never left work before my team despite the fact that females are allowed to leave half an hour earlier. To me this is part of the trust and partnership I am trying to develop and maintain. (JV1LM1)*

Similar responses were reported by the line managers from the LO banks. For example, a participant from bank LO1 commented:

*They are all equal to me and I believe that their successes are my successes. I fight for their rights and my door is open to all for any concerns and questions. We have regular monthly meetings to discuss work related and unrelated issues. (LO1LM1)*

The line managers in both sets of banks claimed to have a positive relationship with their employees. The variation between IJV banks and local Saudi ones can be observed from the employees’ perspective and in the line manager selection process from the organizational perspective. In the previous section, it was shown that leadership behaviour was one of the key aspects of selection for talent management programmes and line manager positions in IJV banks.

Furthermore, the data also showed that leadership skills are part of continuous training for line managers. Therefore, it is reasonable to assume that the leadership behaviour of the line managers from IJV banks has the edge over that of the line managers from LO ones. The researcher was unable to directly ask employees about their relationship with line managers but, as highlighted in the previous chapter, these relationships were closer in IJV banks than in SO ones in terms of consulting employees, ensuring fairness of delivery and sharing information. The following quote on communication information from one of the employees of bank LO1 is indicative:

*My line manager is close to us and keeps his door open. The monthly meetings vary from one department to another. In my department we have a monthly meeting to discuss our progress and issues of concern but I have friends in other departments who find it difficult to obtain answers to their questions. (LO1E3)*

This is similar to the communication issues highlighted in the previous chapter on promotion prospects, performance evaluation and bonus distribution. The findings indicate that, in local Saudi banks, hierarchical leadership behaviour prevails. This could be a consequence of both the limited leadership training and the significant influence of Saudi social norms. In the case of the IJV banks employees, those who were interviewed talked about a partnership expressed through the discussion of various HR aspects, such as developing performance objectives and evaluations, and establishing training needs. The open door policy adopted throughout the banks plays a significant role in the relationships between the line managers and their subordinates because of their direct interaction, involving an enhanced level of directions, sharing of information and improvement of the degree of employee participation. Therefore, line manager leadership behaviour can enhance the employee experience and perception of the effectiveness of high performance HRM practices.

## **6.4 Internal and External learning (Expatriate vs. Consultant)**

This section concerns the third mechanism that contributes to the variations in HRM practice adoption and implementation between the two sets of banks, this is related to the effectiveness of internal learning through the direct interaction of expatriates in IJV banks, compared to LO banks, which mainly rely on external learning resources, such as consultancy firms. The role of expatriate managers as transferors of HRM practices and knowledge has been widely discussed in the literature review (e.g. Bjorkman *et al.*, 2008). The expatriates' role was always examined in terms of direct control, through their involvement in the decision-making, and indirect control, through the transferability of values, know-how, or by being 'cultural carriers' (Edstrom & Galbraith, 1977; Bjorkman & Lu, 2001). It has been argued that, with a few exceptions, expatriate managers play a significant role in transferring the HRM practices of the parent organization (standardization role) (e.g. Gamble, 2003, 2006; Hetrick, 2002); however, the details on how these HRM practices are transferred and adopted are still scant. The interviews in the two sets of banks, their differentiation in terms of the effective implementation of high-performance HRM practices was explained by several factors that draw on the effective role of internal learning. These factors are related to the direction and time of interaction, and to the international experience and coaching role of the assignee.

The HR managers from the IJV banks acknowledged the role played by expatriates as a source of knowledge, including know-how and HRM practices. They indicated that HRM practices, such as selection-based competency, training analysis assessment, performance appraisal measures, suggestion schemes and open-door policies, and the identification of talented employees, were all transferred from the foreign partner of the IJV banks and introduced in the HRM department by expatriates under the direct supervision of local managers. Accordingly, an HR manager from bank IJV1, had this to say this about the role of expatriates in delivering HRM:

*We have various means to transfer best HRM practices from our foreign partner, but expatriates are the main one. We don't have a problem when it comes to executing new practices because the expatriates in the HRM department work as consultants and suggest new practices and the best ways to implement them. (JV1GM)*

A similar view was also shared by one of the expatriates working in IJV1:

*We do not aim to impose a certain practice. Our intention is to build a strong team, to bring the best practice, share knowledge, develop local (manager and employees) and work culture, and to illustrate how business and its value and principles are effected through our Saudi colleagues. (JV1EX1)*

The interviewed expatriates, who are assigned to the Saudi IJV banks for a period of up to 5 years, highlighted their various international experiences in different countries and the durations of their assignments. An expatriate working in bank IJV1 emphasized the considerable importance of time for not only to transfer and implement HRM practices but also to identify the practices most relevant and suitable for the specific local market and partner. The expatriate asserted the following:

*During my three years of experience of working in Saudi Arabia, I realized that there are some practices about which we are passionate at our headquarters but that cannot be adopted here (e.g. working from a distance in some businesses). Through my experience here I learned that Saudi employees lack a little in terms of discipline and time keeping. Some colleagues tend to come in late in the morning and take a very long lunch break, which is unlike western firms, where working hours are more structured, clear, and accountable. These are culturally driven habits and we need to tackle them before introducing some policies. (JV1EX1)*

It appears that the direct collaboration with expatriates has enhanced the effectiveness of HRM practice implementation in IJV banks. The capability, adaptability, and the time framework of interaction with these expatriates result in the transferability of both explicit and tacit knowledge. In addition, these close relationships have enabled in-depth analyses about which efficient policies could work for the local partner.

In the case of local Saudi banks, HRM practices are transferred through external sources (consultancy firms). Both the HRM and line managers who were interviewed reported that they rely on either local or international consultancy firms for the adoption of new HRM policies. It is important to acknowledge that, in LO banks, there are expatriates (third country parties) that could, to some degree, influence the way things are done; however, they are not in positions of power that would enable them to be sources of HRM practice and to influence decisions. The characteristics of the LO banks' relationship with their consultants involve buying and selling products as the consultants spend short periods of time, up to a few weeks, in the LO banks to provide their services. In addition, the interview data also showed that, in some cases, the HRM department organizes short visits (of up to one hour) between consultants and line managers in each business to explain the importance of the new policies and how they can be implemented. Furthermore, if they have further enquiries, the line managers will then seek information from the relevant unit in the HRM department. For example, performance management and training needs analysis (TNA) are two recently adopted practices; in performance management, one of the local banks adopted key performance indicators (KPIs) through consultancy firms. A few months later, a HR manager from bank LO2 remarked:

*I am confident that all line managers are able to identify and provide clear objectives to their employees and fair assessment in this stage. (LO2GM)*

When one of the line managers of bank LO2 was asked about this process of delivering clear objectives, he commented as follows:

*It was like throwing someone who can't swim in a pool. They give us new policies and some time to implement them without adequate help or clarification. The problem is that we are neither allowed to contact the consultant that briefly explained the policy to us nor to get help from the relevant unit in the HRM department; I am sure they are struggling too. (LO2LM1)*



Things are not very different in the training needs analysis. Bank LO1 recently adopted TNA to identify the skills and knowledge gaps of employees in their job roles to support their current and future performance. In this case, the variation between the two sets of banks appears in the implementation process. As indicated in chapter five, the interviewed employees stated that they had begun to receive more training opportunities but they were concerned that the relevance of some of the courses assigned did not match their work requirements. The reason for this was that the training needs assessment only considers the job role in the training matrix and allocates training courses suitable for it without either considering or involving the views of the line managers and employees as, conversely, is the case in IJV banks. A HR manager from bank LO1 had this to say about whether the employees and line managers were consulted about their needs:

*Line managers are able to suggest soft training to their employees (e.g. language and communication skills) but the training matrix allows us to become aware of the issues related to the job-related training required for each position. (LO1GM)*

Therefore, the presence of expatriates (internal learning) in IJV banks plays a crucial role. The transmission through direct interaction and over time of explicit and tacit knowledge related to the adoption and implementation of high performance HRM practices results in greater employee experience. The international experience of and time assigned to the expatriates appear to be vital for them to understand the host environment and what are the most efficient HRM practices. By contrast, the data indicate that external learning through consultancy firms is less effective. While LO banks seek to adopt updated HRM practices, the data reflect issues in their implementation and lack of communication between the organizational actors (e.g. line managers) and the consultants. This has resulted in a less effective operationalization of these practices and, subsequently, in a less positive experience of them by employees. Thus, this research is in line with previous studies that emphasized the importance of the role played by expatriates in terms of their competency, characteristics and function, rather than of their pure numbers, which tends to

be the case in most of the literature examined on HRM in IJVs (Gamble, 2003, 2006; Hetrick, 2002; Minbaeva & Michailova, 2004).

A summary of the key findings pertaining to the mechanisms and processes that result in variations between IJV and local Saudi banks in the extent of their effective implementation of high performance HRM practices is shown in table 6.1.

**Table 6.1: Contrasts between IJV and local Saudi banks in mechanisms and processes**

<b>Mechanisms and Processes</b>	<b>IJV</b>	<b>Local Saudis</b>
Strategic HRM role	Integrative communication of HRM department with other departments	One way communication of HRM department with other departments
	More internal consistency in promoting performance-driven culture	Less internal consistency and less emphasis on performance, more individual influence
	Constant social international and local contacts of HRM units	Fewer external contacts and only if necessary
	HR managers' experiences are: Internal (across banks), mobility (across departments) and external (international banks)	HR managers experiences are: internal (mobility within and outside the HRM function)
Line management role	Comprehensive selection criteria for the role	Less rigid selection criteria for the role, personal influence
	Close and harmonious relationship between the HRM department and employees	More formal relations with the HRM department and, in some cases, a hierarchical relation with employees
Learning	Effective internal learning via expatriates based over long period of time and extensively involved	Less effective external learning through consultants based on short period of time and only if needed

## 7.5 Chapter Summary

The prior research on the strand of HRM in IJVs was mainly quantitative in nature and drew on various perspectives (e.g. institutional theory) to examine the factors that support and inhibit transferability of HRM practices. The results of these previous studies suggest that IJV firms are more likely to overcome local institutional pressure and adopt HRM practices that follow those of their parent company (global integration) in their foreign subsidiaries (e.g. Namazie, 2003; Bjorkman & Lu, 2001). However, little is known about the mechanisms/processes that result in the effective implementation of high performance HRM practices beyond the superficial level of adoption. The aim of this chapter was to address this limitation, based on interviews with various stakeholders, including HR managers, line managers, and expatriates in the four banks participating in this study.

Three mechanisms/processes that influence the effective implementation of high performance HRM practices in IJV banks and local Saudi banks were raised in the interviews and discussed throughout this chapter. Each of these three mechanisms/processes is influenced by one of these factors: a) the strategic role of the HRM function, b) the role of line management, and c) the effective role of internal (as opposed to external) learning. For example, the interview data indicate that there are three plausible reasons for the strategic role played by the HRM function, including: the horizontal fit of HR practices, the structure of the HR department and activities, and the background of HR managers. Altogether, these reasons give IJV banks the edge over the local Saudi banks in the effective implementation of HRM practices. This result is in line with previous studies that indicate that foreign investment is considered to be more strategically important than local organizations (e.g. Ngo *et al.*, 2008; Braun & Warner, 2002; Yu & Egri, 2005; Ding & Akhtar, 2001). More precisely, the presence of expatriate managers in IJV banks plays an important role, given that the strategic concept of HRM was developed in a Western context (e.g. Ding & Akhtar, 2001; Bjorkman *et al.*, 2008). In addition, it is also in line with some of the

findings that suggested that the human resource function is not given strategic importance in Saudi Arabia, compared to other functions such as marketing and finance (Ali, 2009); this result in variation between the two sets of banks in the view of the strategic role played by HRM practices. Furthermore, the role of the line manager appears to be vital for the effective implementation of HRM practices. Although the data show that some HRM practices' activities are devolved to the line management among the four case studies, they indicate that there is a significant role to be played by the line manager in IJV banks as a critical link in successfully enacting HRM practices and maintaining effective relationships with subordinates (e.g. Purcell & Hutchinson, 2007; Harney & Jordan, 2008). Moreover, the evidence of this study also indicates that, in IJV banks, there is a partnership between line managers and the HRM department that has reflected positively on the enactment of HRM practices. Unlike those in the local Saudi banks, line managers in IJV banks are provided with formal communication channels to the HRM department along with various other resources, such as technological support (Ulrich & Brockbank, 2005; Bowen & Ostroff, 2004). The role played by the HRM department can be also seen in the direct contact with and accessibility of HRM resources. The data show that the HRM manager and managers of other units (e.g. training and performances) within the Saudi based subsidiary HRM department are in direct contact with their counterparts in the head office. In addition to expatriates, the mutual interaction of this informal and transversal people-based mechanism can influence the extent of the transfer of HRM practices, and of the effective adoption and implementation of these practices. Accordingly, the existing literature has showed that internal HRM networking and HRM communities' practices are used to enhance MNCs global integration and coordination with foreign subsidiaries, while in the same time allowing for requisite responsiveness to the local environment (e.g. Smale *et al.*, 2013; Evans *et al.*, 2011; Kim *et al.*, 2003). Lastly, the findings of this study indicate that the expatriates (internal learning) in IJV banks play a more significantly effective role in the transferring of HRM practices and (embedded) knowledge of the foreign partner and the successful implementation of HRM practices than consultancy firms do in local

Saudi banks (external learning). While consultancy firms come in for a short period of time, expatriates in IJV banks maintain a direct interaction over a long period of time with all of the stakeholders (e.g. employees, line managers and senior managers), enhancing absorptive capacity, sharing their international experience, and transmitting explicit and tacit knowledge of management practices through direct coaching (e.g. Gamble, 2003:2006; Hetrick, 2002). Child and Markoczy (1993), as shown in Gamble (2003), suggested that local managers in IJVs are exposed to several possible learning processes that range from ‘non-learning’ to integrative learning’. The latter involves both cognitive and behavioural change and is dependent on the establishment of mutual trust between both sides along with sharing and expressing their underlying understated and behavioural norms. In addition, the highly selective hiring process of employees and line managers, which includes various English exams and exposure to an English language system, has reduced the barriers that these expatriates might confront in the execution of their international tasks. As result, this has created a healthier relationship among the actors within the IJV banks, which can encourage expatriates to adapt to their new environment and deliver more effective knowledge (Chang & Smale, 2013). The HRM department structure in IJV banks, with its close relationship between managers in HRM units and expatriates within the bank and the parent firm appears to have facilitated just this kind of integrative learning. In addition, such an expectation can be partly an outcome of the institutional perspective of the taken-for-granted views of the kind of HRM practices that are seen to be sufficient. As a result, these expatriates are willing to introduce home organizational practices due to the uncertainty of what are perceived to be efficient practices in the new country (e.g. Bjorkman & Lu, 2001).

Therefore, the overall results of this chapter indicate that IJV banks not only facilitate the transfer of HRM practices but go beyond this by developing an organizational system that enables the effective adoption and implementation of HRM practices. In other words, relative to local Saudi banks, IJV banks have developed a stronger capacity to adopt and implement new practices. This

is due not only to their greater freedom from local constraints but also to their managerial efforts and organizational capacities. The implications of the research findings that are presented in chapters five and six will be highlighted in the next chapter. The chapter will shed light on the motivations underpinning this PhD research and on the specific research questions presented in chapter two, with further recommendation for future research.

## **CHAPTER SEVEN**

### **DISCUSSION AND CONCLUSION**

#### **7.1 Introduction**

The central theme of this PhD research study was to compare the adoption and implementation of high-performance HRM practices between international joint venture and local banks in Saudi Arabia. In this regard, this study differs from the existing literature of HRM practices in international joint ventures by incorporating and examining how these practices are experienced by employees, including their perception of HRM effectiveness, fairness (distributive and procedural), and organizational commitment. This PhD research study also explored the mechanisms and processes that contribute to the more effective implementation of high performance HRM practices in international joint venture banks than in local Saudi banks.

This concluding chapter begins with an overview of the main findings and of the implications of the results for the research objectives. This section also attempts to explain the extent to which the results are consistent with or contrary to past empirical and theoretical findings. This is followed by the key theoretical and empirical contribution to the literature made by the findings of this study. This chapter then highlights the limitations of this study and its practical relevance, and concludes with suggestions for further studies.

## **7.2 A Brief Summary of the Research and Findings**

In recent years, the expansion of MNCs operating through the initiation of international joint ventures as a form of strategic alliance has rapidly increased due to the growth of international trade and the opening up of new markets for direct investment. This has resulted in international joint ventures having become an important platform for transferring resources and know-how, including HRM practices (e.g. Tayeb, 2005). It is important to acknowledge that this study has mainly focused on HRM in intentional joint ventures rather than in other forms of ownership, such as fully owned subsidiaries, because of the nature of international joint ventures in terms of the number of partners in power that can enhance what constitute effective HRM practices. The central debate in the existing literature of HRM practices in MNCs is the extent to which the host country subsidiaries of MNCs mimic the HRM practices found in the parent company (global standardization) and/or correspond to local pressure and adapt those HRM practices found in host country firms (localization). Prior research adopted various perspectives (e.g. institutional theory) to theorize and explain the extent of similarities and differences of the HRM practices and factors that support and prevent the transferability processes. The results of previous studies indicate that HRM practices in host country subsidiaries tend to resemble the practices found in their parent organizations (global standardization) rather than adapting to those of the host countries (local responsiveness) (e.g. Namazi, 2003; Lu & Bjorkman, 1997). Despite the amount of evidence confirming such influence on HRM practices, little is known about the extent of the adoption and implementation of high performance HRM practices or how their effectiveness is experienced and perceived by the employees at the receiving end. To address this apparent gap in the existing literature, this research has developed two major aims and several objectives derived from these aims. It examines the adoption and implementation of high performance HRM practices in two sets of banks (international joint venture and local Saudi banks) from the employee perspective. Employee experience and perception provide important indicators to the effective implementation



of HRM practices. In addition, this PhD research study also explores in-depth the mechanisms leading to effective implementation. To achieve its aims, this study adopted a mixed method approach consisting of self-completed questionnaires (1038 participants) and semi-structured interviews (27 interviewees) with various stakeholders including employees, line managers, HRM managers, and expatriates. The data were collected from two sets of banks (international joint venture and local) operating in Saudi Arabia.

In respect of HRM practices, from the managerial perspective, the findings of this study indicate that both sets of banks have, to some degree, adopted similar HRM practices. This suggests that there is initially a coercive and mimic isomorphism in HRM practices, whereby the organizations participating in this study adopt similar HRM practices. While coercive isomorphism is more related to the role played by the Saudi Arabian Monetary Agency in imposing specific practices such as performance management, mimic isomorphism is more related to banks mimicking and copying each other to increase their chances of success. However, as opposed to the local Saudi banks, the international joint venture ones follow their foreign parent firms in terms of the adopted styles and techniques. For examples, international joint venture banks have adopted practices such as interview based competency, advanced performance assessment (e.g. calibration by peers and subordinates) – which are tightly linked to other HRM practices (compensation and promotion) – talent management approach, attachment training and development programmes, a flatter hierarchy through an open door policy and two-ways communication, and more employee participation.

From the employees' perspective, the statistical findings show that there are significant differences between international joint ventures and local Saudi banks in the effective adoption and implementation of high performance HRM practices. They indicate that there is a more positive relationship in international joint venture banks than in local Saudi ones between the employee experience of high performance HRM practices and their perceived effective outcomes,

including HRM effectiveness, organizational fairness (distributive and procedural), and organizational commitment. In addition, the interviews conducted with employees of the two sets of banks support the survey results. The existing literature on SHRM has shown that employee perception of HRM practices is dependent on whether these are experienced as being effective or ineffective and resulting in variation in employee behaviour (e.g. Wright & Nishii, 2007). Prior literature also differentiates between what is originally intended and what is actually implemented and points at variation between what the management says it is implementing and what the employees at the receiving end are experiencing (e.g. Khilji & Wang, 2006; Laio, Toya & Hong, 2009). The in-depth quantitative and qualitative analysis confirmed this. It showed that there is a consensus in the response of employees and managers to HRM practices in international joint venture banks as compared to local Saudi ones. In other words, statistically and through the interviews, the data indicate that in international joint venture banks there is a match between employee experience of HRM practices and what is reported by HRM managers. This result means that, compared to local Saudi banks, there is a more effective adoption and implementation of high performance HRM practices, as experienced by employees, in international joint venture banks. In addition, one way to observe the effective adoption and implementation of HRM practices is through the lens of organizational justice, as employees need to feel that their interests are safeguarded (e.g. Purcell & Kinnie, 2010; Cropanzano *et al.*, 2001). As indicated in chapter five, relative to local Saudi banks, international joint venture ones have established more transparent HRM systems. The employees of international joint venture banks are immersed in a more performance driven culture and in higher levels clarity and engagement in the process than those in local Saudi banks, which has resulted in a greater perception of fairness. For example, since promoting all employees is not an viable option within an organizations, Lambert and Paoline (2008) suggested that organization should adopt a promotion system that is seen to be based upon fair, clear, and objective criteria (as opposed to informal methods) and that can therefore dampen down the negative feelings of those employees who are not promoted. In a

similar vein, from the performance appraisal perspective, it has been shown that the link between the evaluation criteria and the work tasks, the degree of involvement in developing the targets, the capability of the supervisor in conducting performance appraisal, and the opportunity to seek appeal are factors that can determine employee perceptions of fairness (e.g. Thurston & McNall, 2010; Sumelius *et al.*, 2014). Lastly, the results of this study support the social exchange, which suggest that individual employees are more willing to participate in work relationships that they deem to be rewarding. In return for the favours or benefits they receive, it becomes binding for them to also provide benefits in an exchange based relationship. In this regard, employee attitudinal and behavioural reactions are found to be considerably influenced by how and why HRM practices are implemented throughout organizations, as they are viewed by employees as a 'personalized' commitment to them by the organization (e.g. Nishii, Lepak, & Schneider, 2008; Hannah & Iverson, 2004). The result of this study shows that the effective adoption and implementation of HRM practices in international joint venture banks has resulted in the effective experience of them and of fairness. This experience disposes employees of international joint venture banks favourably toward their firms and develops a stronger psychological attachment to them as compared to the employees of local Saudi banks.

The results of this research expand the existing literature on HRM in international joint venture banks by exploring the mechanisms/processes beyond the adoption level. Drawing on interviews with various stakeholders (HRM managers, line managers and expatriates) the findings of the study highlight three mechanisms/processes that contribute to the differences in the effective implementation of HRM practices between international joint venture and local Saudi banks. The factors that determine these mechanisms are: a) the strategic role played by HRM functions and integration; b) the role played by line management; and c) the role played by internal learning via expatriates (as opposed to the external learning via consultants adopted by local Saudi banks). Each of these mechanisms/processes was explored and discussed in detail in chapter six. The

results indicate that in international joint venture banks feature a more integrative communication between the HRM and other departments, HRM managers with international experience backgrounds, highly selected line managers, and integrative learning through expatriates. In comparison, it was apparent that local Saudi banks have a one way communication between the HRM and other departments, fewer contacts with external knowledge sources of HRM practices, less international HRM consistency, less rigid selection criteria for line managers, a more hierarchical relation between the HRM department and line managers, and between line managers and their subordinates, and a less effective utilization of external resources (e.g. consultant firms).

Several outcomes can be generated from these results. For example, the results indicate that, although there are elements that are hybridised with practices influenced by local institutional norms (e.g. compensation), a considerable transfer of HRM practices (e.g. performance appraisal, selection techniques) from the parent firms takes place in international joint venture banks. This result in variation in employee experience and perception compared to local Saudi banks. The findings of this study are in line previous research, which has found that different HRM practices are subject to different levels of transfer which reflect degrees of global integration and local responsiveness (e.g. Gamble, 2003; 2006; Namazie, 2003; Myloni *et al.*, 2007). In addition, the findings also support previous studies that found that the culture distance and institutional pressures of the local environment do not act as insurmountable barriers to the transfer of HRM practices (Gamble, 2003; Bjorkman & Lu, 2001). More precisely, as shown in chapter three, Saudi culture is made up of a mixture of Islamic and traditional cultural values that can influence both management practices in general and HRM practices in particular. While Islamic teaching emphasizes, among other things, fairness and respect for leaders, the traditional norms indicate that Saudi society is highly contextual, culturally collective, and has a high power distance. The existing literature has shown that both of these aspects influence the way HRM practices are implemented throughout the organizations, leading to heightened personal influence (e.g. Ali,

2010, 2009; Mellahi, 2006). As such, international joint venture banks are able to change and effectively adopt and implement a more performance driven culture, thus reducing the effect of the host country's social norms (e.g. nepotism) and creating a flatter organization, in which employees participate and work in harmony with the managerial level; whereas, in the case of the local banks, HR practices are deeply influenced by in-group orientation and less objective criteria, suggesting that local banks are more embedded. However, at the same time, there is some sign of movement towards more objective criteria in several HR practices, such as performance appraisal and selection. As an example, Gamble (2003) found that a UK-invested retailer was able to transfer and adopt a relatively flat and more ability based organizational structure compared to the hierarchal and more seniority-based one of Chinese state-owned enterprises. One of the key findings of this study is that, compared to local Saudi banks, international joint venture ones not only facilitate the transfer of HRM practices but go beyond this by developing organizational systems based on various mechanisms and processes that enable the effective adoption and implementation of HRM practices.

Like all research, this study has provided several contributions to the existing literature while, at the same time, suffering from various limitations that can be seen as avenues of investigation for future studies. The following sections provide details of this research's contributions to the existing literature of IHRM in IJV, the practical relevance of its findings, its limitations, and suggestions for future studies.

### **7.3 Contribution of this Research**

The contributions of this research are varied in terms of either confirming existing findings and/or adding new knowledge to the field. The findings of this PhD research contribute to the existing literature on IHRM in international joint ventures by expanding, in several ways, the current

knowledge on HRM transferability and exploring it in a new country context. Its four main contributions can be highlighted as follows.

Firstly, the present study adds to the academic knowledge by examining the adoption and implementation of HRM practices and how their effectiveness is experienced and perceived, from an employee perspective, in two sets of banks. As noted in chapter two, most previous studies had been preoccupied with the examination of the degree to which HRM practices mimic the ones of the parent companies (global standardization) and/or adapt to the practices of the host countries (local responsiveness). However, there is little knowledge of whether these practices are actually adopted as agreed and formulated by the policy-makers (top management, HRM managers, and line managers), and effectively implemented throughout the organizations in order to exert their intended influence on employee experience and perception. As noted in chapter five and six, the results indicate that international joint venture banks adopt and implement high performance HRM practices more effectively than local Saudi banks do.

Secondly, this PhD research study contributes to the existing literature on IHRM in international joint ventures by exploring the mechanisms/processes that influence the effective implementation of high performance HRM practices. Most previous studies that examined the extent of the MNC subsidiaries' standardization or local adaption of HRM practices were based on a wide range of theoretical perspectives, such as institutional and resource dependency (e.g. Namaize, 2003; Bjorkman & Lu, 2001), to explain the variation of the outcomes between MNCs and local firms. However, at the same time, aspects beyond the superficial level of adoption were not paid enough attention. As noted in chapter six, the results of this study indicate that there are three mechanisms/processes that have led to a more effective implementation of high performance HRM practices in international joint venture banks than in local Saudi banks. The factors that determine the operation of these mechanisms: a) the strategic role played by HRM functions and integration; b) the role played by the line management; and c) the role played by internal learning

via expatriates (as opposed to the external learning via consultants used by local Saudi banks). As noted earlier, the results suggest that not only do international joint venture banks facilitate the transfer of HRM practices but go beyond this by developing organizational systems that enable the effective implementation of HRM practices. However, it is important to acknowledge that different processes lead to different outcomes, at least in the context of this study. These three mechanisms and processes have enabled international joint venture banks to overcome local constraints. In other words, while the two sets of banks operate under similar external pressures (e.g. strong traditional norms), the result indicate a more effective implementation of HRM practices in international joint venture banks. This different outcome in the two sets of banks can correspond to different degrees of embeddedness (in the case of local Saudi banks, deep embeddedness) within the local institutional environment, and to the different mechanisms and processes adopted to counter these local pressures (as in the case of international joint venture banks). Therefore, relative to local Saudi ones, international joint venture banks have been able to overcome some of the institutional constraints and effectively implement new HRM practices.

Thirdly, this PhD study contributes to the existing literature on IHRM in international joint ventures from a methodological perspective. Prior research had mainly relied on managerial data by asking managers to estimate the extent to which the practices in the MNC subsidiaries resembled those found in local firms and in their parent firms, respectively. In addition, in some cases, the data from these studies were often collected from a single respondent in each subsidiary (e.g. Namize, 2003; Bjorkman & Lu, 2001). This caused difficulties in drawing conclusions as to whether these practices are transferrable, and regarding the extent to which these practices are adopted and effectively implemented throughout the firms and valued by their employees. In addressing this issue, this PhD study adopted a mixed-method approach based upon both quantitative data (based on a questionnaire survey of 1038 employees) and qualitative data (based on 27 semi-structured interviews with various stakeholders). The aim of triangulating and

collating information from different sources was to capture in-depth the degree of transferability of HRM practices and the level of their effective adoption and implementation. The mixed method approach allowed the researcher to examine the overall employee experience and perception of their effectiveness outcomes. It indicated that the transferability of HRM can also influence employees lower down in the hierarchy, which had tended to be neglected in previous studies. In addition, the mixed method approach also enabled the researcher to confirm the vital role played by the employees as a key source of information. This was evidenced by the observed mismatch between the managers' comments on HRM practices and the employees' experiences of them – especially in local Saudi banks.

Lastly and as far as the researcher is aware, to date, no prior research has been carried out in Gulf Cooperation Council nations in general, and Saudi Arabia in particular, examining HRM practices in international joint ventures and local organizations through the lens of employee experience and perception. Most previous studies examining MNCs' HRM practices (global standardization) in international joint venture banks in host countries had typically been carried out in China and, more recently, in Iran (e.g. Gamble, 2006; Namaize, 2003; Bjorkman & Lu, 2001). This resulted in the motivation to expand this strand of literature to a new country context, such as Saudi Arabia. As noted in chapter three, Saudi Arabia has unique socio-economic characteristics, such as its culture and the institutions that shape its management style and HRM practices. For example, all the banks participating in this study operate in an Islamic society and are supposed to follow Islamic teaching, such as focusing on competence and experience, and minimizing means of injustice (e.g. favouritism, nepotism). In reality, “managers, regardless of their level, feel obligated to follow common societal expectations, by which they are obligated to give preference to relatives, friends, and to those with the right connections with people in power” (Ali, 2009, p. 150). As a result of these social obligations, HRM practices such as promotion, selection, and performance evaluation are widely influenced by personal relationships and nepotism (Mellahi,



2006, Ali, 2009). In addition, as noted in chapter three, HRM practices, especially in the banking industry, are influenced by heavy regulations put in place by the Saudi Arabian Monetary Agency, such as Saudization and performance management. Therefore, Saudi Arabia offers critical features for the exploration of the extent to which firms can or cannot overcome local constraints in the adoption and implementation of new HRM practices. The comparison between international joint venture and local Saudi banks provides evidence that supports the argument of firms differing in their abilities to overcome institutional constraints. The findings of this study show that international joint venture banks have developed the capability to adopt and implement new HRM practices not only because they enjoy greater freedom from local constraints but also owing to their managerial efforts and organizational capacities. While new institutional theory emphasises the convergence of organizational structures and behaviours within an ‘organizational field’ through various means of ‘isomorphism’, the results of this study shows otherwise. As discussed earlier, local Saudi banks are more embedded in their national institutional environment, whereas international joint venture banks faced lower institutional pressures due to their utilization of various internal mechanisms and processes. The bargaining power perspective emphasises the power possessed by each party and its control of critical non-capital resources. While this perspective suggests that, when a foreign partner is in control and/or holds critical resources, it is more likely to counterbalance the force of local isomorphism, this study indicates otherwise. The foreign partners in the international joint venture banks participating in this study hold minority equity, whereas the evidence shows that HRM practices were more akin to those of the parent company and were implemented effectively throughout the banks. This is because local managers in international joint venture banks are willing to adopt and implement more sophisticated HRM practices. This is effected by developing integrative learning through expatriates and direct contact with the parent company; subsequently, this has resulted in a more effective adoption and implementation of high performance HRM practices, compared to local Saudi banks. Therefore, the findings of this PhD study add to the existing literature by arguing that HRM practices in

international joint venture firms can also be examined and influenced through factors beyond the macro environment level and the MNCs' unit level of analysis, to incorporate the implementation level, which examines how the HRM practices are implemented throughout the firms and how employees experience their effective outcomes.

### ***7.3.1 Practical Relevance of the Findings***

The overall results indicate that a more effective implementation of high performance HRM practices leads to more positive employee experience and perception outcomes of HRM practice effectiveness, fairness (distributive and procedural), and organizational commitment. These findings hold several practical implications and recommendations for the banks participating in this study and perhaps for other banks in the field, more precisely local Saudi banks.

The first leading implication of these findings for top management is the strategic importance of HRM practices. It has been suggested that in Saudi Arabia the human resources function is not given strategic importance compared to others, such as marketing and finance (Ali, 2009). As noted in the previous chapter, HRM has shifted from being an administrative processor function to become a more strategic partner in the accomplishment of the organizational business strategy and in the achievement of competitive advantage (e.g. Budhwar, 2000; Barney & Wright, 1998), and in how this influences the effective implementation of HRM practices. In doing so, HRM managers and the HRM department have to not only instigated strategic external and internal fit but have also created an integrative relationship with other departments and the top management. One of the key factors in this transformation of the HRM department's function to a more strategic role is the choice of HRM managers. Among the relevant characteristics of these HRM managers' backgrounds (e.g. education and mobilization in different departments) is their international experience, which can result in more cooperation and acceptance. Moreover, these managers become less embedded in local society, as their international experience enhances their absorptive

capacity to accept change and apply new practices. In other words, a lack of international experience in HRM managers makes them more likely to either resist or be slow to accept change because they are more likely to enact the HRM practices they have been exposed to in their past. In addition, the creation of relationship manager positions in local Saudi banks can be considered to be an important move for strategic HRM. Relationship managers play a vital and dynamic role at the heart of an organization and of a HRM department in reducing the distance between the latter and other departments. Relationship managers work as attachés of the business unit within the HRM department, providing a point of contact within the HRM department for each business unit. Relationship managers are familiar with HRM functions as well as the businesses they have been attached to. Furthermore, relationship managers can ensure that HRM strategies are communicated constantly to other businesses along with relevant resources and information. In addition, they can also play an important role in providing a sense of security among employees by ensuring the effective implementation of HRM practices by the line managers and by giving HRM managers more freedom to more effectively contribute at the strategic level.

The second major leading implication of this finding is for HRM managers. More precisely, it is the considerable importance of the role played by the line management in the effective implementation of HRM practices. As noted in chapter six, HRM practices, among the sets of banks, are devolved to the line management. Line managers are located at the heart of the organizations, bridging the gap between management goals and objectives and the immediate responsibility of their employees. The local Saudi banks should place more care to the selection process of line managers and the type of training and development delivered to them. As seen in this study, line managers play an important role in the implementation of high performance HRM practices. In IJV banks, line managers are developed through various stages and their performance is a key factor for their appointment, as should also be the case for local Saudi banks. In addition, line managers need to work closely with the HRM department and relationship managers and

maintain constant access to information and resources to ensure the effective implementation of HRM practices.

The third major implication for top management and HRM managers is the identification and appointment of suitable expatriates. As seen in this study, expatriates play a fundamental role not only in transferring HRM practices but also in ensuring effective implementation and sharing both tacit and explicit knowledge. Therefore, banks in Saudi Arabia in general and international joint ventures in particular, need to ensure that these expatriates are willing to share their knowledge and are committed to do so. As shown in the existing literature, expatriates with relevant knowledge and skills promote trusting personal relationships and create an ongoing mutual daily learning (Gamble, 2006; Bjorkman & Lu, 1999). Perhaps, international joint venture banks should consider providing these expatriates with long contracts and motivating them to share their knowledge by means of various compensation packages, which is something that can be linked to the findings of the demographic section in chapter five, where expatriates in international joint venture banks were more satisfied and experienced higher implementation of HRM practices. However, international joint venture banks also need to strike some degree of balance between local employees and expatriates to avoid damaging local employee perception of distributive and procedural fairness (e.g. Chen, Choi, & Chil, 2002). In brief, banks in Saudi Arabia can benefit from applying the above recommendations to maximize the effective outcomes of HRM practices. For example, local Saudi banks can create a balance or perhaps invest more in the training and development of HR and line managers to establish the foundation for implementing HRM practices effectively, instead of relying heavily on external consultants, which appear not to be highly effective.

## **7.4 Limitations of this Research**

As other studies, this PhD research has several limitations that should be noted.

Firstly, the major of which was the limited number of participant organizations, which could cause issues in terms of the generalizability of the findings. Although the banks participating in this study account for one-third of the 12 commercial banks operating in Saudi Arabia and the collected data were collected from a large number of employees, the sample and results are not necessarily representative of other sectors in Saudi Arabia and perhaps other banks in the field. One would expect to find other organizations operating in Saudi Arabia in general, and within the banking industry in particular, to have different degrees of effective adoption and implementation of high performance HRM practices. Thus, increasing the number of organizations can enhance the reliability of the results in terms of the accuracy of the statistics and the findings, and provide more generalizability to the findings.

Secondly, this PhD study research did not incorporate behavioural outcomes (employee turnover and absence) and examined the effective implementation of high performance HRM practices through the employee perception of HRM effectiveness, fairness, and the attitudinal outcome of organizational commitment. It might be argued that, in order to develop a fuller and richer understanding of the relative degrees of effective implementation of high performance HRM practices in international joint venture and local Saudi banks, it would also be important to examine behavioural outcomes (employee turnover, and absence) as an indication of employee commitment.

Thirdly, the main aim of the study was to focus on the micro level by investigating the adoption and implementation of high performance HRM practices and how employees of international joint ventures and local Saudi firms, respectively, experience and perceive their effectiveness. It also explores the mechanisms and processes that contribute to the effective implementation of these

practices. This focus has left out the in-depth-analysis of particular factors related to the macro-environment level, such as cultural and institutional factors (e.g. Brewster, Sparrow, & Vernon, 2007; Bjorkman & Lu, 2001), MNCs factors, such as the parent company nationality and international experience (e.g. Walsh & Zhu, 2007), and unit analysis aspects, such as levels of dependency (e.g. Namazie, 2003), as they fell outside the scope of the study (Bjorkman & Welch, 2014). This can be achieved by incorporating larger samples of organizational and managerial level data. This PhD research mainly focused on the in-out aspects that influence the adoption and implementation; it might be argued that, in order to gain a better and fuller understanding of the effective adoption and implementation of high performance HRM practices, it would be important to critically and systematically explore all of the possible factors that could influence it and/or include them as control variables in the statistical analysis.

#### ***7.4.1 Areas for Future Research***

While the objectives of this research were achieved, several implications for further future research remain that can be suggested and addressed based on the broad description of the contributions and limitations of this research as explained above. Based upon the time and financial constraints that this research was limited by, future studies can conduct more in-depth exploration through more probing interviews into how foreign subsidiaries at the receiving end effectively operationalize transferred HRM practices, maybe compared to the parent company. As noted in this study, international joint venture banks not only facilitate the transfer of HRM practices, but go beyond this by developing organizational systems that enable the effective adoption and implementation of HRM practices. Also, with less time and financial constraints, future studies could also expand the research sample in terms of incorporating relatively larger organizations to extend the scope for generalization. In addition, future research could extend the time dimension to perform a more comprehensive longitudinal study and provide richer data in exploring and explaining how HRM practices are effectively adopted and implemented, as well

as highlighting the changes that occur in the addressed mechanisms/processes and resistance over time. Furthermore, the conceptual model developed in this study could also be expanded to include factors related to employee behavioural outcomes, such as turnover, as indicators of commitment and examine them in different settings. Lastly, due to the lack of studies in the field of the adoption and implementation of HRM practices in the Middle East in general, and in the Gulf Cooperation Council nations in particular (e.g. Saudi Arabia), this study calls for further exploration based upon employees perspective among other sectors and countries in the region and beyond.

## **7.5 Conclusion**

This chapter concludes this research by providing a summary of the study and of its implications. The chapter began with a brief reminder of the results and of how they addressed the aim and objectives of this research. As the research showed, international joint venture firms can develop capabilities that result in the successful and effective implementation of HRM practices. They can do this due not only to their greater degree of freedom from local constraints but also owing to the managerial efforts and organizational capacities that differentiate one firm from another. In line with this finding, the empirical and theoretical contributions of this research were explained in detail. As in any other study, the limitations of this research were also highlighted. Despite these limitations, the aims and objectives of the research were accomplished and gaps in the existent literature were filled. In addition, practical recommendations were offered to improve the effective application of HRM practices. This chapter concludes with details of future research directions that can supplement the knowledge of the existing literature.

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## **APPENDIX ONE: LETTER OF INTRODCUTION AND QUESTIONNAIRE**

### **LETTER OF INTRODUCTION**

Dear Sir/Madam,

I am currently pursuing a PhD at Royal Holloway University of London Management School in the United Kingdom. The title of the study is “**The impact of ownership patterns on employee experiences of HRM in Saudi Arabian Banks**”. Your responses to my questionnaire are important in enabling me to obtain a clear understanding of the similarities and differences in HR practices and policies among various ownership patterns.

The questionnaire should not take you more than 17 minutes. Please answer all of the questions in the spaces provided, even if you feel that any of the items do not have a direct influence on you.

Your answers are essential to build an accurate picture of the issue of HRM practices and policies as well as deliver your voice and concerns about HR issues anonymously to the bank’s top management. All of the provided information will only be used for academic purposes and will be treated in strict confidence.

Thank you for taking the time to complete the questionnaire and I hope you find it enjoyable. If you have any further queries or would like more details about the study, please feel free to contact me on: dr.yaz81@gmail.com

Thank you again for taking part in the study.

Yazeed Falaih

## **Section one: Personal Information**

- What is your gender? ☐ Male ☐ Female
- What is your age?  Years
- What is your nationality? ☐ Saudi ☐ Non-Saudi
- What is your marital status?  
☐ Single ☐ Married ☐ Divorced or separated ☐ Widowed
- Which one of the Saudi banks are you working in?
- Do you work for the bank at the headquarter or a branch?  
☐ Headquarters ☐ Branch
- How long have you been working with your current employer?  
 Years  Months
- In your main job would you say your employment is full-time or part-time?  
☐ Full-time ☐ Part-time
- What was your level of academic qualification at present?  
☐ High school or less ☐ Diploma ☐ Undergraduate ☐ Postgraduate
- Has your bank financially supported or sponsored your further education?  
☐ Yes ☐ No ☐ Not applicable

## **Section Two: Employee Resourcing**

### **Recruitment and Selection**

- 1. Please indicate to what extent you agree or disagree with the following statements about recruitment and selection within the bank by ticking the appropriate box. Use the scale as follows:**

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Recruitment and selection criteria are clear	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The best available candidate for the job is usually selected	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Selection procedure is conducted in a fair and consistent manner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	A careful and extensive system for recruitment and selection is being employed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 2. How did you hear about the bank vacancy?** Please tick only the most appropriate option.

<input type="checkbox"/> Direct application (bank website)	<input type="checkbox"/> Private employment agency
<input type="checkbox"/> Employee referral (e.g. relative, friends)	<input type="checkbox"/> Public employment agency
<input type="checkbox"/> Advertisement in the media (e.g. newspaper or TV)	<input type="checkbox"/> College/university
<input type="checkbox"/> Other, please specify.....	

- 3- What selection techniques did you go through prior to being hired in your current job?** (Please tick all applicable options)

<input type="checkbox"/> Application form (e.g. résumé)	<input type="checkbox"/> One-to-one interview	<input type="checkbox"/> Panel interview
<input type="checkbox"/> Psychometric test	<input type="checkbox"/> Skills or Aptitude test	<input type="checkbox"/> Assessment centre
<input type="checkbox"/> Reference	<input type="checkbox"/> Medical examination	
<input type="checkbox"/> Other, please specify.....		

- 4- Did you actively receive help or assistance from friend, relative or colleague to secure your current employment in the bank?**

☐ Yes      ☐ No

- 5- Do you know someone whom has received help or assistance from friend, relative or colleague that secured his/her current employment in the bank?**

☐ Yes      ☐ No



- 6- Were you given a job description before you begun your current job (e.g. the purpose, the major duties and responsibilities contained in the job)?

☐ Yes ☐ No

- 7- How clear was the job description when it was communicated to you?

Very clear ( ) clear ( ) Not clear ( ) Was not provided ( )

- 8- Overall, is your job description consistent with your current job duties?

Very Consistent ( ) Quite Consistent ( ) Not very Consistent ( ) Not at all Consistent ( )

### **Section three: Employee Development**

#### **Training and development**

1. Please indicate to what extent you agree or disagree with the following statements about training and development within the bank by ticking the appropriate box. Use the scale as follows:

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	I receive sufficient work-related training opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	I have been consulted about my training needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Training I receive helps me perform my current job effectively	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	I receive sufficient training that would enable me to find an alternative employment within the bank or outside, if I were to lose my current job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Training is preparing me for a different job, more scope or promotion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. How many days training did you receive in the first year of your current job?

.....

3. How many days training did you receive over the last 12 months?

.....

**4. Which of the following methods were used to assess your training and development?** (Please tick the most appropriate option)

- |   |   |
|---|---|
| <input type="checkbox"/> Questionnaire              | <input type="checkbox"/> Performance appraisal report |
| <input type="checkbox"/> Personal interview         | <input type="checkbox"/> Direct observation           |
| <input type="checkbox"/> Not applicable             |   |
| <input type="checkbox"/> Other, please specify..... |   |

**5. Which of the following forms of training does your bank use?** (Please tick the most appropriate option)

- ☐ On the job training
- ☐ Off the job training but within the bank
- ☐ Off the job training and outside the bank
- ☐ Other, please specify .....

**6. Which of the following methods are used to monitor your training?** (Please tick the most appropriate option)

- |   |   |
|---|---|
| <input type="checkbox"/> Test   | <input type="checkbox"/> Formal evaluation some months after training |
| <input type="checkbox"/> Formal evaluation immediately after training | <input type="checkbox"/> Informal feedback trainee                    |
| <input type="checkbox"/> Not applicable                               |   |
| <input type="checkbox"/> Other, please specify.....                   |   |

## **Performance appraisal**

**1. Please indicate to what extent you agree or disagree with the following statements about performance appraisal by ticking the appropriate box. Use the scales as follows:**

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Performance appraisal is based on clear criteria	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Work requirements and performance criteria are clear and achievable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Performance appraisal system gives a fair and true evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Performance appraisal system motives me to work harder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Performance appraisal system helps to improve mutual understanding between my boss and me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**2. How many times a year do you receive a general formal appraisal? .....**

- 3. How does an excellent appraisal result influence some of the practices and policies?** (Please tick the most appropriate option)

		Very well	Well	Little	Very little
1	Promotion opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Reward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### **Promotion system**

- 1. Please indicate to what extent you agree or disagree with the following statements about promotion policy within the bank by ticking the appropriate box. Use the scale as follows:**

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Promotion criteria are transparent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	I have the chance of moving further ahead in this bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Promotion is given to those who best deserve it	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## **Section Four: Employment Relations**

### **Pay and Reward**

- 1. Please indicate to what extent you agree or disagree with the following statements about pay and reward within the bank by ticking the appropriate box. Use the scale as follows:**

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Pay is based on clear criteria	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	I am paid fairly in view of my responsibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	I am paid fairly in view of experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	I get regular salary rises in my bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	The reward system is based on clear criteria	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	The reward system implemented is based on fairness, away from biased consideration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	I am rewarded fairly for the amount of effort that I put in my job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	I am rewarded fairly considering the responsibilities I have	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	The implemented reward system encourages me to achieve my goals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	The implemented reward system recognize the employees who contribute the most	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**2. Other than your basic pay, do you receive any other incentive schemes?** Please tick only the most appropriate option.

- ☐ Profit sharing
- ☐ Group bonus
- ☐ Individual bonus
- ☐ Performance related pay
- ☐ Other, please specify .....

## **Channels of communication**

- 1. Please indicate to what extent you agree or disagree with the following statements about communication channels within the bank by ticking the appropriate box. Use the scale as follows:**

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	I can ask management any reasonable question and get a straight answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The bank has done an effective job of communicating our current business strategy to employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Bank does a good job communicating about changes or decisions that affect employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	I am regularly informed about the business plan and outlook for the business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	I usually know in plenty of time when important things related to my employment are going to happen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Management do ask me how my work could be made more satisfying	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	I believe my bank management makes a positive effort to keep staff well informed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 2. How well informed do you feel about the following statements? Use the scale as follows:**

		Very well informed	Quite well informed	Not very well informed	Not informed at all
1	The bank's goals, objectives and strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Future employment or staffing plans for your workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The level/average of earning for employees doing the same job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	The financial performance of your employer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Your job opportunities (e.g. promotion, pay rise) with your employer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Your work performance (whether you are performing your job well or poorly)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	The training you need to improve your career	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**3. In general, where do you usually get the most useful information about your employer? (Please tick the most appropriate option)**

- ☐ Your manager or supervisor
 ☐ Friends and colleagues at work  
☐ Staff notice board and newsletters
 ☐ Media outside work (TV, Radio, newspapers)  
☐ Internet  
☐ Other, please specify.....

**Employee involvement and participation**

**1. Please indicate to what extent you agree or disagree with the following statements about involvement and participation within the bank by ticking the appropriate box. Use the scale as follows:**

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	I am able to decide how to do my job and organize the work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	I am able to plan my own work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	I can carry out the work in the way I think is best	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	I have ability to set my overtime	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	I am able to decide my time off	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	I have a say in deciding what task or part of a task I will do	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	I have pretty much freedom to do what I want to do in my job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	I am given the opportunity of formal participation process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Management involves employees in decisions that affect their jobs' work environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Management genuinely seeks and responds to my suggestions and ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	I get adequate information from my employer on key employment issues that would allow me to contribute meaningfully towards decisions on those issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Management values my suggestions for improvement on work-related matters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## **Equality**

- 1. Please indicate to what extent you agree or disagree with the following statements about work equality by ticking the appropriate box. Use the scale as follows:**

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	I believe the reward given are fairly distributed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	I believe the performance appraisal is transparent, away from biased or favouritism consideration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	I believe the selection for training is done efficiently without any bias or cronyism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	In promotion the bank is committed to ensuring equal opportunities for all employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	I feel favouritism is not a problem in my workplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	People here are treated fairly regardless of - Age	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	- Gender	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	- race/ethnic origin/religion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	- disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## **Section five: Employment Outcomes**

### **Organizational Commitment and employees Satisfaction**

- 1. Please indicate to what extent you agree or disagree with the following statements about the implementation of some of the practices and policies by ticking the appropriate box. Use the scale as follows:**

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Working in this bank has given me the confidence to recommend it among friends and colleagues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Working for this bank makes me proud	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Working for this bank is enjoyable and I am intending to stay for the foreseeable future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**2. Please indicate to extent to which you are satisfied or dissatisfied with the following statements by ticking the appropriate box. Use the scale as follows:**

		Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied
1	Provided training opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The way the performance appraisal system is conducted in the bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The opportunities of future promotion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Pay system in the bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Reward system in the bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**3. Do you attend to stay in your current employment in the next two years?**

☐ Yes      ☐ No

**THANK YOU FOR YOUR PARTICIPATION IN THIS QUESTIONNAIRE.**



## APPENDIX TWO: INTERVIEWS GUIDE

<p><b>Interview guides</b> <b>(Employees among all banks)</b></p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">Introduction</div> <ul style="list-style-type: none"> <li>- Your current job? Years if experience?</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">HR practices</div> <p><u>How would you describe the following :</u></p> <p><u>Recruitment and selection</u></p> <ul style="list-style-type: none"> <li>- How did you know about the job?</li> <li>- Selection techniques?</li> <li>- Provide job description? Is it relevant to your current work?</li> <li>- Role of the friend/relative on recruitment and selection?</li> <li>- Your evaluation of the process and techniques</li> </ul> <p><u>Training and development</u></p> <ul style="list-style-type: none"> <li>- Training opportunities? How is the need assessed?</li> <li>- Have you been consulted about your needs?</li> <li>- Type of training? Internal &amp; external? E-learning?</li> <li>- Any set of stander (annual, hours, days)? How is it mentored?</li> <li>- Relevance of the training?</li> <li>- Your evaluation? Personal influence in the selection?</li> </ul> <p><u>Performance appraisal</u></p> <ul style="list-style-type: none"> <li>- How is performance appraisal done? By whom? Clarity of the objectives? Degree of involvement?</li> <li>- Any set standard (times a year, a month)</li> <li>- Clarity of the evaluation? Degree of participation on the process?</li> <li>- Is it link to other practices or policies?</li> <li>- Your evaluation of policy, is effective? Personal influence?</li> </ul> <p><u>Promotion</u></p> <ul style="list-style-type: none"> <li>- Clarity of the criteria? Opportunities within the bank?</li> <li>- Is it linked to other practices? Or personal relation?</li> <li>- Your evaluation of the process?</li> </ul>	<p><u>Pay and compensation</u></p> <ul style="list-style-type: none"> <li>- The payment and reward reflect the amount of experience? Effort and performance?</li> <li>- Non-pay benefit? From whom? How and why?</li> <li>- Is payment and reward is the reason for you being here?</li> </ul> <p>The role of individual performance? Your evaluation? Personal influence?</p> <p><u>Communication</u></p> <ul style="list-style-type: none"> <li>- Awareness of the banks future strategy and other information relevant to employees?</li> <li>- Top-down or down-up: communication? Mechanisms employed?</li> </ul> <p><u>Employee involvement and participation</u></p> <ul style="list-style-type: none"> <li>- How? in which issues?</li> <li>- Is it valued? Example of previous suggestions considered?</li> <li>- Open door policy? Relationship with managerial level? Is it effective?</li> </ul> <p><u>Equality</u></p> <ul style="list-style-type: none"> <li>- Equal opportunities? (E.g. gender, disabled)?</li> <li>- Fairness among the bank?</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;">Outcomes</div> <p><u>Commitment</u></p> <ul style="list-style-type: none"> <li>- Level of employment commitment? Why?</li> <li>- You see yourself here in the next few years?</li> <li>- Changes you which to see employed?</li> </ul>
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## **Interview guides**

### **HR managers (Joint venture banks)**

#### **Intro, Dynamic of the IJV**

- Your current job? Background? Years of experience?
- The nature of the IJV? (Establishing & percentage)?
- Strength (opportunities) and weakness of the formation?
- Representative of the IJV? Is he/she based in KSA? The role of the representative?
- Management control and the decisions within ownership? (Dynamic).
- Strategic role of HRM within the bank? Is it integrated with the overall bank foreign partner strategy? Internal consistency? How? Relationship of HRM department with other departments?

#### **HR practices and influence of the foreign partner**

#### Recruitment and selection

- Methods of recruitment for high & low positions?
- Selection techniques for all levels?
- Who controls the appointment of the top level? Provide job description?
- Role of the friend/relative on R&S?
- Partner input or mentoring? How? Why? Role of culture and Institution factors on localize and standardize (support or constrain)?

#### Training and development

- For different groups?
- Type of training? Internal & external? E-learning?
- When and How is need assessed? Employees' participation in the process?
- Any set of stander (annual, hours, days)? How is it mentored?
- Partner input or mentoring? How? Why? Role of the culture and institution factors on localize and standardize?

#### Performance appraisal

- How is the performance appraisal done (by whom, directions downwards or 360)? Clarity of the objectives? Employees' engagement? Any set standard (times a year, a month)?
- Is it link to other practices or policies?
- Partner involvement or suggestion? How? Why? Role of the culture and institution factors on localize and standardize?

#### Promotion

- How is it done? Clarity of criteria? Suggestion of the partner? Is it linked to other practices? Personal relationship influence?

#### Pay and compensation

- Determination of pay and compensation for top and low employees?
- Comparing to other banks high or low? How and why? Non-pay benefit such as (cars, gym, mobile phone) for whom? How and why?
- Relations to performance appraisal?
- Any suggestions or taking from the partner?

#### Communication

- Top-down: methods? Mechanisms?
- Down-up: methods? Mechanism?
- Any role of the partner?

#### Employee involvement and participation

- How? In which issues?
- Different level different participation and involvement?
- Partner experience?

#### Equality

- Equal opportunities policy?
- Diversity policy? How do you actively promote the value of diversity in terms of gender, disabled? Any special accommodation for work patterns?
- Any break down number of women and disabled)?
- Fairness throughout the bank?
- Extent of the partner influence?

#### Employee commitment

- How do you ensure employee commitment? Why?

#### **General question:**

- Who is implementing HRM practices? How is it implemented? How do you ensure effective delivery?
- Overall, would say HRM practices more localized or standardized with the partner? How and why? Role of expatriates?
- Constraints or barriers in adopting new practices?

#### **Specific extra questions for line managers:**

- Extent involvement in HRM issues? Selection for the position? Training relevant to HRM issues? Relationships with subordinates?

#### **Specific extra questions expatriates:**

- Role in the bank? Period?
- Constraints or barriers in adopting new practices?

## **Interview guides**

### **HR managers (local Saudi banks)**

Intro, Dynamic of the IJV

- Your current job? Background? Years of experience?
- Strategic role of HRM within the bank? Internal consistency? How? Relationship of HRM department with other departments?

HR practices and influence of the foreign partner

#### Recruitment and selection

- Methods of recruitment for high & low positions?
- Selection techniques for all levels?
- Who controls the appointment of the top level?
- Provide job description?
- Role of the friend/relative on R&S?

#### Training and development

- For different groups?
- Type of training? Internal & external? E-learning?
- When and How is need assessed? Employees' participation in the process?
- Any set of stander (annual, hours, days)? How is it mentored?

#### Performance appraisal

- How is the performance appraisal done (by whom, directions downwards or 360)? Clarity of the objectives? Employees' engagement? Any set standard (times a year, a month)?
- Is it link to other practices or policies?

#### Promotion

- How is it done? Clarity of criteria? Suggestion of the partner? Is it linked to other practices? Personal relationship influence?

#### Pay and compensation

- Determination of pay and compensation for top and low employees?
- Comparing to other banks high or low? How and why? Non-pay benefit such as (cars, gym, mobile phone) for whom? How and why?
- Relations to performance appraisal?

#### Communication

- Top-down: methods? Mechanisms?
- Down-up: methods? Mechanism?
- Any role of the partner?

#### Employee involvement and participation

- How? In which issues? Different level different participation and involvement?

#### Equality

- Equal opportunities policy?
- Diversity policy? How do you actively promote the value of diversity in terms of gender, disabled? Any special accommodation for work patterns?
- Any break down number of women and disabled)?
- Fairness throughout the bank?

#### Employee Commitment

- How do you ensure employee commitment? Why?

General question:

- Who is implementing HRM practices? How is it implemented? How do you ensure effective delivery?
- Where do you get new HRM practices from? How? When? How is it executed?
- Relationship with competitors in terms of HRM?

Specific questions for line managers:

- Extent involvement in HRM issues? Selection for the position? Training relevant to HRM issues? Relationships with subordinates?

## APPENDIX THREE: CORRELATION MATRIX

Correlation Matrix

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
<i>1</i> -Gender	.27	.44	1.00												
<i>2</i> -Age	30.5	6.06	.17**	1.00											
<i>3</i> -Tenure	5.62	4.09	.12**	.68**	1.00										
<i>4</i> -Education	1.52	.499	.19**	.11**	.04	1.00									
<i>5</i> -Marital Status	1.50	.500	.19**	.43**	.35**	.06*	1.00								
<i>6</i> -Nationality	.093	.289	.17**	.34**	.05	.15**	.16**	1.00							
<i>7</i> -Bank section	.769	.421	.05	.06	-.04	.03	-.02	.10**	1.00						
<i>8</i> -Ownership pattern	.529	.499	.09**	.02	.05	.10**	.03	.03	.009**	1.00					
<i>9</i> -Employee-experienced HRM index	2.46	.537	-.02	.05	.00	.00	.00	.17**	.03	.25**	1.00				
<i>10</i> -Employee-perceived HRM effectiveness index	2.50	.556	-.03	.02	-.03	-.02	.02	.18**	.02	.22**	.92**	1.00			
<i>11</i> -Employee-perceived distributive fairness	8.92	2.90	.00	.01	-.02	-.04	.01	.16**	-.01	.21**	.72**	.72**	1.00		
<i>12</i> -Employee-perceived procedural fairness	.00	1.00	.07*	.01	-.05	-.03	.02	.17**	-.02	.16**	.80**	.82**	.69**	1.00	
<i>13</i> -Organizational commitment	7.89	2.54	-.01	.08*	.00	-.04	-.01	.19**	.07*	.18**	.66**	.75**	.65**	.54**	1.00

Notes:  $N = 1038$ . \*\*Significant at the 0.001 level, significant at 0.05 level (all two-tailed tests). Variables coded as follows: Gender: 0 = male, 1 = female; education level: 0 = university graduate, 1 = non-university graduate; marital status: married = 0, other = 1; bank section: 0 = branch, 1 = head office; ownership pattern: 0 = local bank, 1 = International joint venture bank.