

**MANAGEMENT DEVELOPMENT IN SAUDI ARABIA:
PREPARING FOR A BORDERLESS WORLD**

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**A thesis submitted for the degree of
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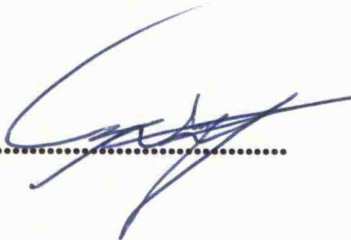


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DECLARATION

No Portion of the work referred to in this thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning

Signed :

A handwritten signature in blue ink, consisting of a large, stylized 'C' followed by several loops and a long horizontal stroke.

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Needless to say, the judgements and opinions expressed in this research and any errors of facts and/or interpretation are solely my responsibility.

ABSTRACT

MANAGEMENT DEVELOPMENT IN SAUDI ARABIA: PREPARING FOR A BORDERLESS WORLD

By

Mohammed D. Al-Qahtany

Globalisation is a popular word in business and industry today. The term relates to viewing the marketplace as existing world-wide, breaking down trade barriers between nations. Global expansion is necessary to achieve growth and profitability when the domestic market is saturated. This places greater responsibility on management to prepare their organisation and manpower to function in new and different environments.

The purpose of this study is to provide management with the tools necessary to be successful in the global marketplace. Although the focus of this study is primarily designed to assist Saudi Arabian management to participate in the global marketplace, this research can benefit management of every organisation contemplating entering the global marketplace. The emphasis of the study is on Human Resource Management (HRM) and Human Resource Development (HRD) in preparation for entrance into the global market.

The methodology selected includes both primary and secondary data. The primary data was collected from 223 Saudi and non-Saudi general managers or their assistants, currently employed in Saudi Arabia. The instrument selected to collect empirical data was a questionnaire for the purpose of testing eight hypotheses. The data was compared with a study conducted by Barham and Devine in 1991. Secondary data was collected from articles, tests and publications relative to HRM and HRD and the demands of the globalised marketplace.

The primary research resulted in support of some of the hypotheses and lack of support in others. An analysis of the data indicates that the differences in support of the hypotheses were based on lack of experience in the global market. The secondary research supported the view that increasing numbers of companies have had to enter the global marketplace for growth and expansion.

The research supports the view that for business and industry to grow they must expand into the global marketplace. However, not all managers have the knowledge, skills, or experience to guide their organisation into larger markets. The main outcome clearly shows that before Saudi companies can enter the global marketplace they must look at their organisation to determine if their products are suitable and whether or not they have qualified personnel to support the plans for globalisation. In most cases, HRD programmes are required to prepare managers to manage in a foreign environment if they are to be successful in the new venture.

A model has been designed to serve as a guideline for managers considering entering the global market. Emphasis has been placed on the need for developing managerial skills of those selected for foreign assignments. The model can assist management to have a better understanding of that which is required if the company is to be effective in a foreign environment.

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In the words of Ed Dunn, Whirlpool's corporate vice president of HR,

"You can't globalise your company unless you first globalise your people"

(Laabs, 1991: 45).

CHAPTER 1

AIMS AND ORGANISATION OF THE STUDY

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CHAPTER 1 AIMS AND ORGANISATION OF THE STUDY

1.1 INTRODUCTION

We live in a world of increasing complexity, interconnectedness, and volatility. Despite the variety in culture, language, political ideology, and religion, our lives and livelihoods are bound up with processes operating on a global scale. "The globalisation of economic activity in a complex form of internationalisation necessitating a degree of functional integration between dispersed economic activities." Although globalisation is a more recent phenomenon than internationalisation it is emerging as the norm in a growing range of economic activities (Dicken, 1992: 1).

There has been an increasing globalisation of economic activities throughout the world although the processes are not geographically uniform. This has created an environment of producers continually searching for new markets which has significantly increased competitiveness in almost every business and industry. Regional trade agreements such as the European Community (EC), the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs on Trade (GATT), and the World Trade Organisation (WTO), have encouraged free trade amongst member nations.

To achieve economic scale of production and ensure stability and growth, industries world-wide must participate in the 'global' world of trade. Ultimately it is only the global

marketplace that is sufficient in size and diversity to ensure industrial longevity. Countries with a large domestic market are able to support companies that have a restricted marketing orientation. Most companies, however, make up only a small portion of the global whole. Major industries must pursue a global marketing strategy for growth and expansion. This is necessary whether they are based in Saudi Arabia, Germany, the Bahamas, Canada, or Taiwan. The purpose of this thesis is to provide a model to guide management training/development for companies entering the global marketplace. Although the model develops particular requirements for organisations in Saudi Arabia, the very nature of the topic means that the model is equally valid for any organisation considering expanding into global markets.

Globalisation brings many challenges to management. In Saudi Arabia, the state is establishing a strong industrial base as leaders are convinced it is essential for the creation of a stable and sustainable economy. Industrial activity which will generate indigenous growth is considered the best way to continue the development of the Saudi economy into the 21st Century (Dahlan, 1992:7). Furthermore, Saudi leaders believe that there is a strong positive correlation between globalisation and economic development. Therefore, it is essential that senior managers in Saudi industry and commerce know better how to establish a global presence.

On a political map, the boundaries between countries are as clear as ever. But on a competitive map, a map showing the real flows of financial and industries activity, those boundaries have largely disappeared. (Ohmae, 1992: 18)

This means that we live in a “borderless world” which has changed the way managers view the world and their businesses, and how they invent, commercialise and compete (Ohmae, 1992). To support this global expansion Saudi companies require well trained managers able to function in a multicultural environment. In the past, business and industry in the Kingdom have depended on managers from other countries to direct global operations. This is particularly apparent in the oil industry in which Aramco is heavily dependent on expatriates for its managerial expertise. Well trained Saudi managers would lessen dependence on these expatriates as well as reducing foreign involvement in business and industry. However, Saudi managers have to link their local actions to a framework of global thought and strategy. This is particularly difficult in the area of Human Resource Management because employee relations are rigidly constrained by national and cultural variations.

Traditionally, the only industrial activity in Saudi Arabia was performed by craftsmen using age-old skills and techniques to fashion a limited range of products for sale in local bazaars. As the flow of oil revenues gathered momentum in the 1960s, a national transportation system developed and within a short time a small industrial sector emerged. Today, the Kingdom's industrial activity ranges from iron and steel, power and desalination plants, fertiliser, chemical and cement plants, to a host of smaller manufacturing facilities. The growth of industrial production has been particularly rapid during the last decade (Dahlan, 1992: 11).

The Saudi government has played a central role in promoting industrial development. It has built the basic infrastructure for industrial cities at Jubail on the east coast and Yanbu on the west coast, including power, housing, water and port facilities. For smaller scale ventures, it has established industrial estates across the Kingdom. And, it has made available large amounts of low cost capital through the Saudi Industrial Development Fund to encourage investment by the private sector, and the Public Investment Fund, for major public sector projects (Euromoney, 1985: 11).

Small industrial plants owned and operated by the private sector have mushroomed in recent years. At first, many produced primarily building materials to support the construction industry's needs. As major projects were completed, there has been a shift to consumer goods and engineering products, with emphasis on import substitution. In the future it is expected that secondary industries exploiting the Kingdom's petrochemical production will experience significant growth (Euromoney, 1985: 15).

Technological change and world trade advancements are such that the Saudi Government is encouraging domestic managers to re-examine the way they manage their businesses. They are being confronted with strategic and organisational challenges once reserved for the largest and most sophisticated multinational companies. In addition, managers are having to design new frameworks for their companies that include global thinking and strategies. This is a particularly difficult challenge for human resource management (HRM) (Bartlett and Ghoshal, 1989: 198; Torrington and Holden, 1992: 19).

1.2 STATEMENT OF THE PROBLEM

The changes taking place in the global business arena have stimulated unprecedented interest in international business. In the quest to expand businesses beyond the domestic market, businesses are increasingly experimenting with new approaches and structures which cut across national boundaries. The objective is increased product and/or service fluidity to yield maximum competitive advantage in the marketplace. Making the decision to enter the global marketplace requires long range planning supported by sufficient capital and qualified manpower resources. Without well trained support, regardless of the type of product or service being offered, a company cannot be successful. Companies need people who are innovative, creative, and can survive, even flourish, in complex marketing environments (Barham and Devine, 1991).

As competition increases so does the need for more highly qualified manpower. Inevitably companies with global marketing experience are one-step ahead of companies that plan to enter the world-wide marketplace in the future. Managers of these companies learned from experience that domestic strategies are not applicable to the global market which is complex, multicultural, and environmentally varied. When managers prepare to trade globally they often give little attention to whether the organisation is a match with the local culture. The question of the fit between an organisation and its environment is not new. Neither has it only recently become important in the context of recent corporate efforts to operate in a genuinely global fashion. It has always been a "piano tuner" sort of problem; a question that is never answered once and for all but one that requires continual attention

and adaptation to new environments. However, the movement toward globalisation has given a new urgency for change and raised the penalty for making wrong decisions (Ohmae, 1989: 136).

Companies cannot effectively operate on a global scale by centralising key decisions and delegating implementation because the conditions in each market are too varied. The nuances of competition are too complex and the changes in climates too subtle and rapid for long distance management. The best decisions, no matter how well supported analytically, are ineffective or not effective enough. The decision makers at the top of the organisation are too far removed from the intricacies of individual markets and the needs of local customers (Ohmae, 1992: 137).

Maintaining corporate identity in a global environment is no trivial exercise. Formal systems and organisational structures can help, but only to the extent that they nurture and support global operations. Training programmes, career path planning, job rotation, company wide accounting, evaluation systems that cross national borders, and electronic data processing systems, take on heightened importance as globalisation evolves. Most important, however, is a corporate culture or system of values that employees in all countries accept. Indeed, a global company must be prepared to pull out of a region where its core values cannot be adapted to meet the needs of a different environment (Ohmae, 1989: 138). Most successful global competitors operate through a network of regional organisations that keep managers close to key markets and customers. This approach is successful, however, only when the strong pull of local interests and concerns can be offset

by an equally strong set of values that all managers share. These values are an important part of the cultural environment in which a company tries to root its activities at home and abroad (Ohmae, 1989: 143).

Many managers, regardless of nationality, do not want to work in a foreign country, particularly if an assignment is perceived to be long-term or permanent. The most common reasons for rejecting an assignment are unacceptable living conditions, inadequate educational opportunities for children, and the need to be near aging parents. There are legal impediments for those willing to accept overseas assignments, such as licensing requirements. This prevents the use of foreign-trained accountants and lawyers. Immigration restrictions also cause delays and uncertainties in filling positions (Daniels and Radebaugh, 1995: 752).

To manage successfully in a foreign environment, company executives need to know more than protocol. There are fundamental differences between the way in which companies are managed in every country. These differences include management style, strategies, cultural factors, labour relations, a variety of laws, and regulations, to name a few, all of which have an impact on the operations. There are also major differences in the workforce, with highly trained individuals being available in some countries and not in others (Utroska, 1992: 21). In the international arena, the quality of management seems to be even more critical than in domestic operations. With the increased pressure due to global competitiveness "the firm's resources cannot be effectively and efficiently transformed into marketable outputs, or

transferred from corporate headquarters to the various subsidiaries in the world, without a highly developed pool of managerial and technical talent.” (Tung, 1984: 129)

In the global environment, human resource development (HRD) must include facilitation of global attitudes, knowledge, skills, and corporate culture. Rhinesmith (1993) states there is a need to discard traditional models and views and begin to think from a global rather than a domestic paradigm. In the process, he states, we must challenge and change many of our views about hiring, training, controlling, motivating, and measuring managers. Globalisation requires a long term commitment, probably three to five years for most large enterprises simply, to get moving (Rhinesmith, 1993: 9-10).

1.3 THE GLOBAL ENVIRONMENT

Although international trade has existed for centuries, the world has clearly entered an era of unprecedented global economic activity, including world-wide production, distribution, and, in increasingly large numbers, global strategic alliances. For example, multinational companies such as British Petroleum, IBM, and General Electric each do business in more than 50 countries (Adler, 1991: 4; Kim, 1983: 3). Furthermore, the continuing emergence of a global economy is bringing with it a new kind of concern. This concern is the persistent anxiety felt by organisations not participating in global expansion that they are falling more and more behind. “Everyone agrees organisations which globalise will survive.” (Moran and Richard, 1991: 17)

As Mitroff observes, "For all practical purposes, all business today is global. Those individual businesses, firms, industries, and whole societies that clearly understand the new rules of doing business in a world economy will prosper; those that do not will perish." Mitroff believes that business can no longer be conducted as usual as "global competition has forced . . . [managers] to recognise that if they and their organisations are to survive and prosper, they will have to learn to manage and to think very differently." (Mitroff, 1988: intro. p. x) They will have to think beyond the borders of their country (Moran and Richard, 1991).

"Successful international managers, mobile or non-mobile, must be able to act locally, but plan and think strategically and globally." (Barham and Rassam, 1989: 149) A great portion of business management today is global, and managers must function in a complex and uncertain environment (Mendenhall et al., 1995). This means that all managers must manage with a global rather than a local framework (Torrington, 1994: 1). The complexity of international business resulting from interactions and transactions across national borders means that global management expertise is crucial to international firms. "Studying global management is the beginning of the process of developing productive and effective international managers." Being a productive and effective manager requires both knowledge and experience. In addition, developing global management expertise is an ongoing endeavour in which managers constantly learn and improve (Mendenhall et al., 1995: 26-27).

1.4 PURPOSE OF THE STUDY

Every profit making organisation has a theory of business. A theory that is clear, consistent, and focused, is powerful. The theory of business explains both the success of companies and failures. Failures can usually be traced to the fact that the existing theory of the business no longer works.

A theory of business has three parts. First, there are assumptions about the environment of the organisation: society and its structure, the market, the customer, and technology. The assumptions about environment define what the organisation is paid for. Second, there are assumptions about the specific mission of the organisation. The mission defines what an organisation considers to be meaningful results. Third, there are assumptions about the core competencies needed to accomplish the organisation's mission. This assumption defines where an organisation must excel in order to maintain leadership. The theory of business becomes its culture. Some theories of business are so powerful that they last for a long time, but eventually, every one becomes obsolete (Drucker, 1994).

Obsolescence occurs when the organisation's theory of business is not changed to meet the changing needs of the market. In our rapidly changing times, there is a need to rethink a theory that is stagnating and to take effective action in order to change policies and practices, bringing the organisation's behaviour in line with the new realities of its environment. The globalisation of the marketplace is a prime example.

Entering this market requires a new definition of the organisation's mission. A new mission, one that is global in nature, demands a new set of core competencies that must be developed before strategies can be designed to fulfil the new mission.

Rhinesmith (1993) writes that the global world moves the human resource function into a new orbit. Human Resource Development can no longer focus on compensation, benefits, and labour relations, but must now include facilitation of global attitudes, knowledge, skills, and corporate culture. A 1985 review of international human resource literature entitled, "International HRM: Fact or Fiction?" concluded that little had been written in the international arena beyond articles on issues of expatriate selection, orientation, training, relocation, compensation, and re-entry. No attention was paid to the role of HRD as a strategic partner for business units in achieving their global business theory. An article published in 1989 titled "Shaping the Global workplace," reported that little progress had been made in the ensuing four years. Yet, all the statistics and recent writings underscore the growing importance of being globally oriented. The challenge for every company is to prepare management and subordinates for a new way of doing business.

According to Rhinesmith (1993: 10) management must change its views about hiring, training, controlling, motivating, and measuring managers. This change will require a long term commitment, probably three to five years for most large enterprises simply to get moving. It is for this reason that preparation to enter the global marketplace

must begin now if a firm is to be competitive in this larger and broader marketplace. Preparation begins with the development of human resources to manage in spite of constant global, market, and competitive change. In the end, a global organisation's people, especially its global managers, constitute the most critical factor in the organisation's ability to survive and grow. People represent an organisation's purpose, mission, values, and mindsets that are the generative juices which enable it to respond in creative ways to unanticipated surprises. For this reason, the role of HRM and HRD has become increasingly important as a major partner in achieving all levels of global success (Rhinesmith, 1993: 17).

This study is based on the recognition that business today is moving through tremendous changes to meet the needs of a larger and broader marketplace and the changes that are taking place are many and increasing all the time. As a result, few studies have been conducted to provide guidance for management to move from a domestic to a foreign marketing environment. This study provides insight into what is required before a company enters the global marketplace based on a review of published literature and empirical data. It therefore, makes a significant contribution to the awareness of what is required by companies before entering into a venture which could be costly. This study fills a void in research that will be beneficial to managers in Saudi Arabia as well as managers in other countries planning to expand their markets. This research aims to provide management with the necessary tools to be successful in changing the organisation's business theory from one that is domestically oriented to one that is globally oriented. The focus of the study, therefore, is primarily to assist

management in making a decision to enter the global market, and human resources skills and competencies required if the decision is made to do so. The information contained in the study will enable companies to enter these markets with greater confidence and opportunity for success. The objectives are fourfold:

1. To examine the role of HRM and HRD in Saudi exporting industries, and to identify human resource factors required to participate in the global marketplace. The goal is to have an effective HRM department in order to operate successfully in the global marketplace.
2. To identify competencies necessary for managers to be successful in the global marketplace. The emphasis is on training and development of management to support companies entering the global marketplace.
3. To review the changes taking place in the marketplace, world-wide and the importance of Saudi companies entering the global marketplace, lessening the Kingdom's dependence on one resource, oil, and to broaden its involvement in the international arena.
4. To provide information to Saudi managers desirous of entering the global marketplace, to assist in preparing the organisation and its manpower to give them a competitive edge in the marketplace.

1.5 SIGNIFICANCE OF THE STUDY

According to Mendenhall and Oddou (1995), a significant portion of business today is global and managers face a complex and uncertain environment. This makes the study of

global management both interesting and worthwhile. It is, therefore, not surprising that this field has been the subject of intensive interest. The focus of attention on international management development as a topic of study has largely been limited to academic studies. Very little has been written about global managers. Almost no research on managing human resource in an international context pertaining to Saudi Arabia has been published, even though these issues are becoming increasingly important for many companies throughout the world. The goal of this research is to provide information to managers of companies giving thought to competing in the global marketplace. This is of paramount importance if management is to understand how to conduct business within the global perspective.

This study breaks new ground, being the first to examine empirically how managers of Saudi companies can begin to think globally. The study provides a basic understanding of the challenges they may experience. This has significant implications for senior management regarding international human resources and management development policies.

Moreover, this study presents a significant contribution to the current research on management by reviewing and integrating relevant literature; and adding to the body of knowledge in an area lacking empirical research. More practically, this research will be helpful to the Saudi private sector in general, and Saudi managers in particular.

The government of Saudi Arabia encourages the expansion of all forms of domestic industry including those relying on agriculture, for the purpose of contributing to the national income and increasing employment opportunities. The goal is to improve the standard of living for individuals and the community as a whole, and diversify the kingdom's industrial base. The principle of free competition in business and industry is the basis of economic activity in the kingdom. The government provides the private sector with the freedom necessary to establish a business as well as supporting growth and expansion without restrictions (Dahlan, 1992: 7).

As a result, the private sector has significantly increased in recent years. Many companies have expanded into the global marketplace. During the last five years, Saudi non-petroleum exports have achieved a significant rate of growth, increasing from 816 million Riyals to about 12.4 billion Riyals, an increase estimated at more than 1,270 percent. Manufacturing exports are significant. Most of the industries have been set up to lessen dependence on imports. With little experience in the global marketplace, they have been able to compete. This shows that Saudi industrial products can be competitive in foreign markets as well as domestic markets (Dahlan, 1992: 9).

Saudi non-petroleum exports are currently being exported to more than 68 countries world wide. Countries which are members of the Gulf Co-operation Council (GCC) are the primary markets for the Saudi private sector. These markets received about 80 percent of the exports, while the remainder go to European and Asian countries. Government

authorities, together with the Saudi Chambers of Commerce, are playing a major role in helping the private sector to penetrate foreign markets competitively. The Chamber concentrates on gathering data on foreign markets, circulating and distributing information, and promoting national products through various circulars and pamphlets. The Chamber also provides consultative services in the field of foreign trade for the benefit of Saudi exporters. Facilities are also provided for meetings and trade negotiations (Dahlan, 1992: 11).

The Saudi economy still has capacity for growth in a number of productive sectors. Added to this are the political, social and economic stability the Kingdom enjoys, the availability of raw materials, a unique geographical location and the support of the Saudi government. The opportunities for companies in the private sector to enter the global marketplace both for the benefit of the company and for the benefit of the Saudi economy are considerable (Dahlan, 1992: 11).

1.6 ORGANISATION OF THE STUDY

To address these and other issues, this thesis is divided into ten chapters. This first chapter provides a brief introduction to the study, a statement of the problem, its objectives and limitations. Chapter Two covers the general aspects of the global business environment. Chapter Three reviews managing human resources internationally from a theoretical perspective. Chapter Four reviews the Saudi economic and business environment and management. Chapter Five describes the methodology used for the study, the research

instruments, the methods for data collection and the techniques for data analysis. Chapter Six is an examination of the importance of human resource development. Chapter Seven is an analysis of Saudi organisation development and management development strategies. Chapter Eight is an analysis of the results of empirical study with individual perceptions presented and discussed. Chapter Nine discusses a model designed to assist management in making the transition from a company operating in a domestic environment to the global marketplace. Chapter Ten is devoted to the summary of the findings and conclusions, with suggestions for further research possibilities generated by this study.

NOTES

OPERATIONAL DEFINITION OF TERMS

Since various interpretations have been attached to the same terms or variables, for the purpose of this research it is important to define those variables relevant to this study, thereby avoiding ambiguous meanings.

ECONOMIC GLOBALISATION

Economic globalisation is a more advanced and complex form of internationalisation which implies a degree of functional integration between internationally dispersed economic activities. It differs from internationalisation which refers to increasing geographical spread of economic activities across national boundaries (Dicken, 1992: 1).

TRANSNATIONAL

A term is used interchangeably with multinational and global. It is defined in terms of a company's ownership of overseas assets and activities where such ownership confers control over the overseas operation (Dicken, 1992: 48).

EUROPEAN COMMUNITY (EC)

Created in 1952, the EC was a trade agreement between six European countries, Germany, France, Italy, Belgium, the Netherlands, and Luxembourg, joined for the purpose of creating a common market for coal, steel, and iron ore for member countries. This was followed by the creation of other trade associations such as the European Free Trade association (EFTA), and the Economic Monetary Union (EMU). Today, the EC membership includes 12 European nations with four additional nations scheduled for membership in 1996. Membership will then include nations in Europe except the former Eastern Bloc countries and members of the Commonwealth of Independent States (formerly the Soviet Union) (Czinkota, 1994: 161).

NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

A regional trade agreement entered into between Canada, the United States and Mexico in 1994. The agreement gives firms in the three countries access to millions of additional consumers, and the liberalised trade flows for the purpose of enhancing economic growth of member countries (Czinkota, 1994: 170).

GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

A trade agreement between major trading nations. Membership includes more than 100 countries. It was designed to cover international commercial policies, restrictive business practices, commodity agreements, employment and reconstruction, economic development and international investment, and a constitution for a new United Nations agency to administer the whole (Czinkota, 1994: 187).

WORLD TRADE ORGANISATION (WTO)

A new institution created following the finalisation of the GATT agreement for the purpose of remedying shortcomings in GATT and moving world traders and investors toward an open and free market system. The WTO includes labour and environmental standards in trade rules, with power to punish offenders with trade sanctions (The Economist, 1994: 16).

GULF CO-OPERATION COUNCIL (GCC)

The GCC is a trade group made up of six member states in the Middle East. Member states are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. It was formed in 1980 as a defensive measure due to perceived threats from the Iran-Iraq war (Czinkota, 1994: 175).

HUMAN RESOURCE MANAGEMENT

In general, human resource management (HRM) is part of the process that helps the organisation achieve its objectives (Armstrong, 1992: 13). International HRM is simply HRM on a large scale. The strategic considerations are more complex and the operational units more varied, requiring co-ordination across national barriers (Torrington, 1994: 6).

HUMAN RESOURCE DEVELOPMENT

Human resource development includes training and development, organisation development, and career development to improve individual, group and organisational effectiveness (Mustafa, 1994: 3).

SAUDIISATION

A programme designed for the purpose of replacing foreign labour by Saudi nationals. Implemented in the Fourth Development Plan (1985-1990), provisions were to upgrade Saudi manpower through training programs to support Saudi business and industry and lessen the need for expatriates (AlFarsy, 1990: 187).

MANAGERS

Managers are defined as those responsible for planning, organising, leading and controlling the organisation through, and with, other employees. Levels of management include: upper, middle, first line (Robbins, 1993).

INTERNATIONAL OR GLOBAL MANAGERS

There are almost as many definitions of the international manager as there are companies (Coulson-Thomas, 1992). This study will use the "global" term instead of international. However, the definition used in this study for both terms (international and global managers) is that the global manager refers to those who manage operations in a variety of nations.

CHAPTER 2

THE GLOBAL BUSINESS ENVIRONMENT: AN OVERVIEW

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CHAPTER 2 THE GLOBAL BUSINESS ENVIRONMENT: AN OVERVIEW

Any Company expecting to survive in the intensely competitive environment of the 21st century must become global. The starting point is to cast off protectionist attitudes and develop a global mentality. (Tuller, 1991: 23)

2.1 INTRODUCTION

Globalisation has arrived in the world, but not in most of the world's organisations. However, there is little doubt that by the end of the century all profit making organisations will need to become more global in outlook and in operations. The change began with the collapse of communism in Eastern Europe and the former Soviet Union and spread throughout the third world. As a result, the world has become interconnected and nations have become interdependent on each other for resources, manpower, and technology. Ohmae (1990: 50) states, We will eventually be part of one large global community. Business and industry have come to realise that their theory of business has had to be changed to include markets throughout the world, and the way of doing business has to be changed to one that is more aggressive if growth, expansion, and profits are to be achieved (Barham and Oates, 1991: 9). Managers need to be trained to work in an ever changing environment, one that is not always stable politically or economically. Czinkota (1992) supports this view saying:

Some countries find their major exports, which have increased steadily over decades, shrinking markedly in a brief period. Political stability can be completely disrupted over the course of a few months. Countries that have been considered enemies for decades, and with which no executive would dream of doing business, suddenly become close allies and offer a wealth of business opportunities. (Czinkota, 1992: 563)

It is Czinkota's view that what occurs today may not only be altered within a short time but completely overturned or reversed. Recognising the importance of change and adapting creatively to new situations are the most important tasks of today's business executive. Management is always under pressure to promote the company's growth and increase profits, especially when they are faced with slow growth in the domestic market. When this occurs, they begin to search for new markets outside the home country. Expansion is necessary to become viable candidates for doing business in the global arena. As a result, a growing number of companies are looking to foreign markets (Kruytbosch, 1994: 92).

The objective of this chapter is to provide a background of the changes that have occurred which have created the global market environment, and to provide an understanding of the differences between doing business globally compared to doing business as an international or multinational company. This is necessary to explain how that which has taken place in the world that is forcing business and industry to rethink the way business is conducted, as well as to inform managers of the potential that this new market offers. Most importantly, it provides insight into changes that need to be made in the organisation structure, and the type of leadership that is required to be successful in this new multicultural environment.

This chapter reviews the global business environment, identifies the differences between internationalisation, multinationalisation, and globalisation to provide an understanding of the changes that are taking place in business and industry and the challenges facing management today.

2.2 BACKGROUND

Peter Drucker (1992) reports that every few hundred years throughout Western history, a sharp transformation occurs. In a matter of decades, society rearranges itself, its world view, its basic values, social and political structure, its arts, and its key institutions. Fifty years later a new world exists. Our age is in a period of such transformation. This time, the transformation is not confined to Western societies. One of the fundamental changes is that there is no longer a Western history or a Western civilisation. There is only world history and world civilisations (Drucker, 1992: 95)

There are a number of external forces, according to Moran and Stripp (1991) and Al-Qahtany, (1994), that have promoted the changes taking place in business and industry today. A review of the literature supports the view that these forces include:

- Increased foreign competition in domestic markets
- Expanded free trade policies such as the European Community (EC), North American Free Trade Agreement (NAFTA), and the General Agreement on Tariffs on Trade (GATT)
- Improved telecommunication and information systems that allow instant decision making and transfer of data
- Better utilisation of company personnel
- Lower transportation costs and shorter shipping time
- Increased global customer bases

- World-wide financial systems with access to the global money markets that allow for utilisation of foreign capital, tax advantages, the opportunity to spread risks, and the ability to profit from foreign exchange fluctuations
- Opportunities for larger profits due to economies of scale in production, logistics, and marketing
- Ability to earn additional income from existing technology
- Increased product/service life cycle
- Opportunities to gain an edge in reputation and credibility
- Access to foreign technology, skills, knowledge, capital, and human and natural resources.

2.2.1 THE INFLUENCE OF TECHNOLOGY

Technology is defined as the study or use of mechanical arts and applied sciences (Fowler and Fowler, 1990: 1252). New technology is not only found in products such as televisions, computers, and automobiles, but is also fundamental in production processes themselves, such as automation. Technology has made it possible for manufacturers to be competitive in the marketplace by producing products more efficiently, with higher quality, and at a faster rate to meet demand. Weihrich and Koontz states:

The term technology refers to the sum total of the knowledge we have of ways to do things. It includes inventions, techniques, and a vast store of organised knowledge about everything from aerodynamics to zoology. Its main influence is on ways of doing things, how we design, produce, distribute, and sell goods as well as services. (Weihrich and Koontz, 1993: 61)

Technology and technological change have become so much part of our lives that it is sometimes difficult to appreciate the changes they have brought about (Taggart and McDermott, 1993). Technological change has been identified as the engine of change, a force that has had an impact on all aspects of business, domestically and internationally. According to Dicken, it is one of the most important contributory factors underlying the internationalisation and globalisation of economic activity (Dicken, 1992: 97).

Dunning (1991) supports this view as well. He states that the main contribution to United States multinationals in the 1950s was to make available new products and production technology for the 'state of the art' as well as extending the notion of what qualified as 'everyday' consumer goods (Dunning, 1991: 246). The advancement of technology has also broken down the barriers of nations as communications, for example, allow people and organisations in one country to communicate instantly with those in another country. Information regarding business, competition, and market data is freely available. Improved transportation facilities also make it possible to transport goods from one country to another within a short time. The impact of technology is seen in new products, machines, tools, materials, and services. A few of the benefits of technology are greater productivity, higher living standards, more leisure time, and a greater variety of products (Wehrich and Koontz, 1993: 61 and Wishard, 1990: 313). In addition to technology integrating itself into all types of business, it has also created new industries such as information, biotechnology, materials, energy and space technology (Dicken, 1992: 98). Thus, firms seeking to succeed in the global environment could increasingly find themselves fatally

disadvantaged if they lack the information infrastructure, information technology, and management skills necessary to pursue their missions effectively (Huff, 1991: 71).

2.3 THE NEW MARKETPLACE

The changes that have taken place in technology along with the introduction of new products and services have created a new world-wide marketplace. At the same time, competition has increased in practically every business and industry. While the larger marketplace has provided many opportunities for business and industry to expand their markets, it has also demanded that to be successful, a company must have a competitive advantage. Competitive advantage arises from leadership that harnesses and amplifies the forces to promote innovation and the ability to adapt strategies to meet the needs of the marketplace. Too many companies and top managers misperceive the nature of competition and the task before them by focusing on improving financial performance. Today's competitive realities demand leadership. Leaders believe in change, they energise their organisations to innovate continuously. They recognise the importance of their home market as being integral to their competitive success and work to upgrade it. Most important, leaders must be willing to set high goals and motivate people to achieve if they want to be successful in the marketplace (Porter, 1990: 93 and Knight, 1993: 70).

Greenbaum reports that competing in global markets means more than just carving out a new sales territory for corporations. It means surviving in an uncertain economic climate and taking advantage of opportunities of leverage, international technology and culture, to

the company's and the customer's advantage. This was the message heard at the Top Management Forum organised by Management Centre Europe, the European arm of the American Management Association/International held in Paris in 1992. Speakers at the event stressed that competition in global markets often means drastic changes across the spectrum of the corporation, from the most senior managers right down to the production line (Greenbaum, 1992: 49).

Survival is a clear goal in the transition to going global. What is required is an unyielding criterion of quality and corporate citizenship in all the major markets in the world. While many external factors govern the change, interest and exchange rates, governmental regulation and deregulation, and the ongoing global recession, customers are all pushing their suppliers to be more global as well. They demand quality and price on a world-wide scale, and world-wide performance levels. Yet they expect a product designed and tailored for their specific needs and locally serviced. How companies manage the transition to become a global competitor is really a question of managing change. The change must come from the highest levels (Greenbaum, 1992: 52).

Peak (1993) posits that businesses can not simply run as they have in the past no matter how successful they have been. Benchmarking world class companies is no guarantee of success because excellence cannot be copied. Books on excellence are the same all over the world. The excellent companies are the ones that have gone beyond the textbooks and are doing some things different, even better, than their competition (Peak, 1993: 22).

The market is not one that is open and free, giving the opportunity to market any product throughout the world. Economics have not yet triumphed over politics in many countries. Most of the respondents of the Kanter's survey advocated free trade, rejecting government favouritism or assistance for domestic companies. Country differences and contradictions in response patterns suggested continuing local political battles over the rights and responsibilities of business. The domestically focused companies and those in countries whose national competitiveness is eroding, have joined newly industrialised countries in sounding notes of ambivalence about globalisation. Most indicated they wanted businesses to have the freedom to make decisions in their own interest without having to take "patriotic" considerations into account (Kanter, 1991: 153).

2.4 INTERNATIONAL, MULTINATIONAL, AND GLOBAL COMPANIES

The words, "international", "multinational" and "global" are used interchangeably but the terms are not synonymous. "International" refers to the increasing geographical spread of economic activities across national boundaries (Dicken, 1992:1). The definition includes not only international trade and foreign manufacturing but also encompasses the growing service industry in areas such as transportation, tourism, banking, advertising, construction, retailing, wholesaling, and mass communications (Ball and McCulloch, 1985: 15).

"Multinational" enterprises are organisations which obtain factors of production from multiple countries for the purpose of furthering overall enterprise benefit (Ball and McCulloch, 1985: 15). "Globalisation" is defined as economic activity that is more

advanced and complex than internationalisation. It is a more recent phenomenon but is emerging as the norm in a growing range of economic activities (Dicken, 1992: 1). The differences in these types of organisations are shown in Table 2.1.

Table 2.1 Key Strategic Capabilities: International, Multinational, and Global Companies

INTERNATIONAL	MULTINATIONAL	GLOBAL
Building strong local presence through sensitivity and responsiveness to national differences.	Building cost advantages through centralised globalisation	Exploiting parent company knowledge and capabilities through world-wide diffusion and adaptation.

Source: Bartlett and Ghoshal (1989).

Bartlett and Ghoshal (1989: 15) found that international companies are based primarily on transferring and adapting the parent company's knowledge or expertise to foreign markets. The parent retains considerable influence and control, but less than in a classic global company; national units can adapt products and ideas coming from the centre, but have less independence and autonomy than multinational subsidiaries. Because the strategies of these companies reflect the pattern of world-wide exploitation of knowledge described in the well-known international product cycle theory, companies which have developed a strategic posture and organisational capability that allows them to be very sensitive and responsive to differences in national environments around the world are called multinational companies (Bartlett and Ghoshal, 1989: 14).

Table 2.2 indicates the major characteristics of these organisations and how they differ from each other. Nadler and Tushman (1992: 23) indicate that there are critical differences

between the components of these organisational architectures with respect to culture, values, skills required, and the management processes within subsidiaries and headquarters.

Table 2.2 Characteristics of Global, Multinational, and International Organisations

Global Organisation	Multinational Organisation	International Organisation
Theme: World is one integrated global market.	Theme: Decentralise federation--a portfolio of national businesses--and become multinational.	Theme: Transfer knowledge / expertise to "less advance" overseas environments.
Earliest of international corporate forms (Henry Ford, J. D. Rockefeller, William Lever)	Adopted in the pre-World War II period, for example, Lever post-1925	Emerged early post-World War II
Centralised assets, resources, responsibilities		
Role of subsidiaries to reach foreign markets/build scale		Role of subsidiary to leverage capabilities/resources of the parent company
Little freedom to modify products and strategies for local subsidiaries	Responses by subsidiaries to differences in local market	Because of professional management and sophisticated controls, more freedom than global organisations but less than multinational organisations
Fits managerial norms of Japanese companies	Well suited to "informal" management practices of European companies	Good fit with US management culture

Source: Nadler D. A, and Tushman, M. L. (1992).

2.4.1 GLOBALISATION

Fleenor (1993) indicates that globalisation has become the favourite business “buzz-word” for the 90s. The notion of global has become so pervasive that it has become a paradigm for moving forward in the business world. Also, it can be defined as viewing the world as the company's marketplace. More multinational organisations are recognising the need for viewing the market from this perspective. Globalisation is being driven by transnational companies in an attempt to ignore national borders and identities in favour of location and markets. The fact that global companies are no longer recognise “domestic” markets that are Japanese in Japan; European in Europe; American or Canadian in North America, if they are to have a competitive advantage (Doyle, 1990: 42). Reck has more:

Globalisation occurs when a multinational company defines its international operations not as a collection of markets but as a single market as if the whole world were a single country. (Reck, 1989: 67)

Galagan (1990: 35-36) indicates that global is the popular term for companies that have fully integrated operations-product design, process design, manufacturing, and vendor management in many parts of the world. For example, Honda, the Japanese car maker, has a fully integrated operation in the United States for producing its Accord Coupe. In addition, Ohmae (1990) describes a global organisation as one that has become an “insider” in any market or nation where it operates and is thus competitive with domestic firms operating in local markets. Globalisation is not something new but has accelerated during the 1980s with the rapid growth of offshore financial markets; the explosion in mergers and acquisitions, national and international; the accelerated homogenisation on a global scale of

consumer preferences, product standards and production methods; and a visible trend of the fortunes of large corporations to be less dependent on the health of any one nation's economy (Fleenor, 1993: 7-8). Some industries have been global for years. Coca-Cola was among the first to market a world-wide brand. Today there are a growing number of companies with products ranging from semiconductors, televisions, cars, and telecommunication equipment. Globalisation has profoundly changed business in the following ways:

1. Resources are increasingly mobile. Factories, technology and even human resources can cross borders with ease.
2. Government regulations are easier to bypass. If a country's telecommunication system is enmeshed in regulatory red tape, for instance, business will take advantage of cellular telephones or satellite communications.
3. Opportunities for more business centres are increasing. Information technology has freed businesses from working in close proximity.
4. Customers are more powerful. Increasingly, buyers and distributors are calling the shots (Peak, 1993: 24).

Ethical standards are also playing an important role in doing business on a global scale. Levi Strauss, for example, developed guidelines to ensure that the values and ethical standards of all its contractors meet Levi Strauss' own. The San Francisco based clothing manufacturer sources products from 50 countries. Under guidelines adopted it will no longer source from countries that do not adhere to the United Nations' human rights

guidelines. Additionally, Levi Strauss requires its subcontractors to adhere to specific ethical standards (Peak, 1993: 25).

According to Peak (1993), ethics and human resources may be keys to global success, but there are no hard and fast rules about how the global corporation should be organised and managed. The structure and management styles that work for one company may not work for the next. Peak quotes Pascal:

We are like the doctors in the Middle Ages who applied leeches to their patients no matter what the problem was. We are involved with a lot of activity, but fundamentally we have no understanding of the problems or how to solve them. I suspect that by the end of the next century, people will look back at our management techniques today and find them as primitive as we find medieval medicine today. (Peak, 1993: 25)

Ohmae (1989) reports that a global corporation today is fundamentally different from the colonial style multinational operations of the 1960s and 1970s. It serves its customers in all key markets with equal dedication. It does not share things with one group to benefit another. It does not enter markets for the sole purpose of exploiting their profit potential. Its value system is universal, not dominated by home country dogma, and it applies everywhere. In an information linked world where consumers, no matter where they live, know which products are the best and cheapest, the power to choose or refuse lies in the hands of the consumers, not in the pockets of monopolies like the multinationals of the past (Ohmae, 1989: 139). Stopford (cited in Fleenor) adds:

**Global corporation should encompass three primary characteristics:
(1) significant position in all markets that are strategically important
for the industry; (2) global information systems, and (3) adaptability**

of the supply system to change the trade/local supply balance as circumstances dictate. (Fleenor, 1993: 23)

Ohmae adds that when managers prepare the ground for the global organisation, they have to analyse their own organisation. A company cannot commit huge chunks of time and resources without a thorough understanding of the market. To be successful there must be a fit between an organisation and its environment. If the fit does not exist the movement toward globalisation will not be successful. No company can effectively operate on a global scale by centralising all key decisions and then farming them out for implementation.

The conditions in each market are too varied, the nuances of competition too complex, and the changes in climate too subtle and too rapid for long distance management (Ohmae, 1989: 136).

Galagan (1990: 57) indicates that going global is a long-term complex process, but not limited to large, established companies. He states that "As soon as a company steps outside its home base, to invest or sell or operate in any way, it could be on its way to being global." The process is a four-stage evolution process that takes a company from domestic, to international, to multinational, and lastly, to global operations. These four phases are outlined in detail, looking at areas such as a company's competitive strategy, the extent to which it shares technology, its market, and structure.

1. Domestic companies operate on domestic terms. They focus on developing a product or service based on state-of-the-art technology. "Domestic American companies

view the United States as a large market in which they can prosper.” (Galagan, 1990: 27)

In this first stage, companies rarely send managers abroad.

2. International, or stage II, companies begin marketing and exporting products or services abroad. “Often US companies initially export to their neighbours, Canada or Mexico, or into another English-speaking country such as England.” (Galagan, 1990: 27) Usually, in such companies international human resource development activities focus only on the small group of expatriate managers involved directly in foreign operations. Structurally, the company often forms a single international division for its foreign operations. Companies in this stage frequently send managers overseas.

3. The third stage is the multinational company which focuses on least-cost production with sourcing, manufacturing, and marketing world-wide. Structurally, they often reorganise into global lines of business. At this point cultural differences begin to move into the organisational culture. The emergence of cross-cultural dynamics becomes a critical aspect of organisational functioning. As multinational operations become more important, companies send their better, more senior managers abroad (Galagan, 1990: 27).

4. In the global stage, the company operates potentially everywhere, and cross-cultural interaction is internal and external. It dominates the organisation's culture. Strategic alliances define the organisation's form and structure. Global thinking and global competencies become critical for success. At this stage, the level of cross-cultural interaction progresses throughout the organisation; from the also-ran to the fast-track

manager, from the salesperson to the executive suite. In this stage, companies send their fast-track junior managers and their most senior executives. Cross-cultural management skills take on increased importance at each stage (Galagan, 1990: 27).

Kanter (1991) reports that, for much of the twentieth century, business managers around the world were confronted with a series of walls that established the boundaries of national markets, national practices, or national social, economic, and political systems. The walls are crumbling. Globalising markets, instantaneous communications, travel at the speed of sound, political re-alignments, changing demographics, technological transformations in both products and production, corporate alliances, flattening organisation hierarchies, all and more are changing the structure of the corporation. The once rigid unreachable boundaries of business are fading in the face of change (Kanter, 1991: 151).

In 1991, the Harvard Business Review conducted a study exploring the boundaries of business. By January 1991, 11,678 responses to the 91 survey questions were received and analysed. The results concluded that change was indeed everywhere, regardless of country, culture, or corporation. However, the idea of a corporate global village, where a common culture of management unifies the practices of business around the world, is more of a dream than reality (Kanter, 1991: 151). The study found that manufacturing companies with long planning horizons were leading the drive toward globalisation. These organisations were more “cosmopolitan” in their outlook and are rapidly reshaping boundaries. They are the most international in scope, the least protectionist and most closely involved in cross boundary relationships with suppliers, customers, and partners.

They have also undergone the most pervasive changes in the last two years -- more downswings, reorganisations, CEO changes, mergers and divestitures. Such companies are in the vanguard of change that could confront business with new political and social struggles (Kanter, 1991: 153).

2.4.2 THE MARKETPLACE

The globalisation of economic activity is reflected in the increased geographical production of goods and services and the related flows of international trade. Another indicator of this activity is the volume of international direct investment by transnational corporations and the increasing geographical extent and complexity of activities. These factors have accelerated the development of a global economy during the last decade (Dicken, 1992: 11). The result has been the creation of a larger marketplace for business and industry that once belonged to multinational companies. The new global economy has opened doors of opportunity for virtually every business and industry regardless of geographic location.

Ettorre (1993) supports the view that globalisation increased the size of the marketplace. The old concept, that markets remained static and the way to get a bigger slice was to beat local competition, is no longer applicable. Global markets are expanding as more societies move up the consumer ladder and begin to acquire the means to buy goods and improve their standard of living. This has promoted a larger marketplace that is today, world-wide. According to one estimate, 85 percent of export dollars are dominated by a handful of

companies. This means there is room for new companies to move into the global market (Ettorre, 1993:12).

Czinkota (1992) indicates that about 20 percent of large US corporations now consider themselves as global marketers. Companies such as Coca-Cola and Levi Strauss have proven that universal appeal to some products exists. Coke's one sight, one sound, one sell approach is famous among global marketers. The global approach looks for similarities between markets, sees homogeneity in products, image, marketing, and advertising messages, and asks: "Is this product or process suitable for world consumption?"

The world must be viewed as a global village, one homogenous entity (Fleenor, 1993: 10). Producers now recognise that tastes for consumer goods, capital goods, and even services are becoming more homogeneous. Management are realising they can gain cost advantages through economies of scale with production for the world market rather than different products for each country. In some countries, advertising and marketing strategies can be standardised giving effective cost savings (Ball and McCulloch, 1985: 670).

2.4.3 ORGANISATION STRUCTURE

Every organisation, according to Drucker, must devote itself to creating the new. Specifically, management must strive for improvement in everything the organisation does. Every organisation will have to learn to exploit its knowledge, and to develop the next

generation of applications from its own successes. They will have to learn to innovate. Innovation can now be organised and re-organised as a systematic process. When abandonment occurs process starts all over. Unless this is done, the knowledge based organisation will soon find itself obsolete, losing performance capacity and the ability to attract and hold skilled and knowledgeable people on whom performance depends (Drucker, 1992: 97).

Dicken indicates that organisational complexity and the geographical spread of global companies have increased internal interrelationships between geographically separated parts. Thus these relationships become a highly significant element in the global economy. The precise manner in which these companies organise and distribute production or value added chains arises from strategic orientation, influenced by history as well as geographical origins. Internationally competitive strategies can be regarded as ranging from global integration at one end of the spectrum to national responsiveness at the other. Although there has been a trend toward the adoption of globally integrated strategies by an increasing number of companies, they must remain responsive to national and local differentiation. Global and local perspectives need to be collaborated (Dicken, 1992: 191-192).

The structure of an organisation depends on a variety of factors, including the industry, technology and the environment (Dicken, 1992). In addition, cultural preferences regarding communication, the role of leaders in decision making, and so on, can affect the structure of the organisation in a number of ways. This includes the number of subordinates reporting to a manager, levels in the organisation hierarchy, the degree of centralisation,

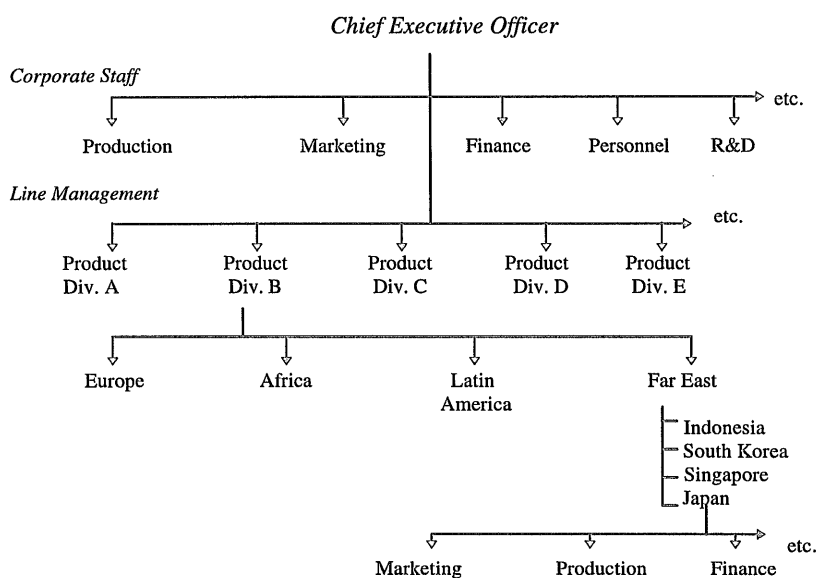
among other possibilities. Cross cultural differences in structures often requires management retraining and development.

There are important structural implications when organisations expand their sphere of operations. Usually a firm enters the global market on a small scale, by exporting one of its products, perhaps through an independent export company. As the global business grows, a manager responsible specifically for export sales is usually appointed. With further expansion, the firm may determine that it is more efficient to establish subsidiaries in foreign countries. Strategic decisions can no longer be made separately for the domestic and foreign operations, they must shift to a global orientation. Although information technology innovations have enhanced the potential for operating over vast geographical distances, the co-ordination and control of large, geographically disbursed business enterprises also requires an appropriate organisational structure. Most large companies still tend to be hierarchical in structure but the sheer size and complexity of the modern global company demands a sophisticated organisational form, one which can cope in a flexible manner with the highly varied environment facing the firm (Dicken, 1992: 192; Quelch and Hoff, 1986: 62; Maruca, 1994: 143).

One is to organise the firm on a global product basis; in other words, to apply the product division form throughout the world and to remove the international division. Another possibility is to organise the firm's activities on a world-wide geographical basis. It is proposed that this form of organisation is most appropriate for mature businesses with mature product lines. Each global organisational form solves one set of problems often at

the expense of another. While the world-wide geographical structure improves the co-ordination of all product lines within each zone, it is at the expense of reduced co-ordination between areas for any one product line. Therefore, the company must also adopt the appropriate global organisation structure. Three typical forms are: Global Product Divisions, Global Geographic Divisions, and Multidimensional Global structure. The global product and global area divisions result in the following type of structures (Schermerhorn, 1991: 89-90). Figure 2.1 shows that the structural response can be either a product-based global structure or an area-based structure. Dowling et al. (1994: 28) indicate that, by this stage, the organisation has “come of age” as a multinational. Strategic planning now is carried out on a consistent and world-wide basis. This stage marks the really decisive point in the transition to global organisation: Top managers recognise that strategic planning and major policy decisions must be made in the central HQ so that a world-wide perspective on the interests of the total enterprise can be maintained.

GLOBAL PRODUCT DIVISION STRUCTURE



GLOBAL AREA DIVISION STRUCTURE

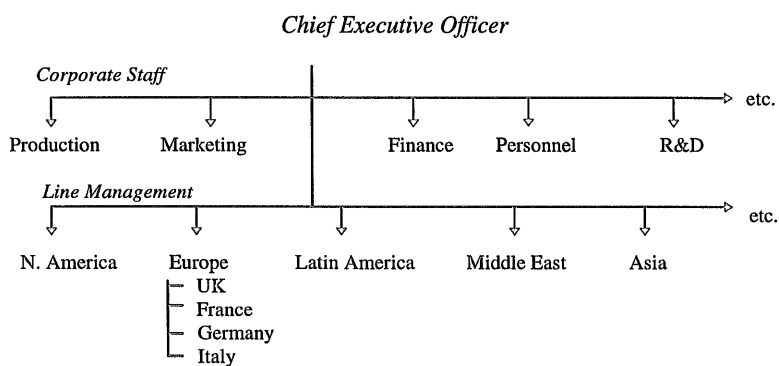


Figure 2.1 Global Product and Global Area Division Structures

Source: Dowling, P. et al. (1994: 29).

As can be seen, at the international division stage the international HRM policies are designed primarily to fit the domestic operations (See Figure 2.1). “Gradually, as the multinational strives to adapt its HRM activities to each host country’s specific requirements, the HRM function changes.” (Dowling et al., 1994: 30) The HRM planning process becomes more complex as the organisation develops. The co-ordination of activities and the formation of strategies for world-wide markets develop into independent managerial functions requiring specialised expertise. Within the human resource function, the development of managers able to operate in international environments becomes a new imperative. The importance of HRM and HRD will be discussed more fully in the next chapter.

Studies in the growth of large business enterprises have shown that such firms commonly transform their organisation into divisional forms. The divisional structure is one in which the organisation is structured by product rather than function. Each product division is responsible for its own functions, particularly production and marketing, although some remain centrally controlled by top management. Each product division is a separate profit centre. The main advantage of the divisional structure is usually seen to be one that has greater ability to cope with product and market diversity (Dicken, 1992: 192). Global corporations organised along product lines have the problem of co-ordinating diverse activities in any one geographic area. Some of the largest global companies have begun to adopt a sophisticated global grid or global matrix structures which contain elements of both product and geographic structures. Grid structures are extremely complex. As a result, some global firms are moving toward a globally integrated network structure. In this

structure, specialised units are linked into a network of operations that enables them to achieve multidimensional strategic objectives of efficiency, responsiveness, and innovation.

The strength of this configuration springs from its fundamental characteristics: dispersion, specialisation, and interdependence (Dicken, 1992: 192-193 and Ghoshal and Nohria, 1993: 23).

Vanderbroeck (1992) states that as organisations face the turbulence brought on by globalisation, increased competition, consumer demand for higher quality and environmentally friendly products, technology revolutions, and quicker production cycles, they will need to develop managers with new skills and increased flexibility. Organisations will continually expand through mergers, acquisitions, and new ventures while continually contracting as they cut non-core and less profitable businesses. The most appropriate structure for these companies will be a flexible and decentralised set of more or less independent business units. These small units will not be organised by function, discipline or specialisation, but into small, multi disciplinary, integrated teams (Vanderbroeck, 1992: 97).

2.4.4 MANAGEMENT

Changing international business situations generate new management dimensions. Firms must keep up with them and even go a few steps ahead of them to be competitive. (Maruyama, 1992: 96)

In spite of the fact that global organisations must deal with greater complexity, the trend is toward greater globalisation of the marketplace as increasing numbers of companies are competing for the consumer dollar (Ball and McCulloch, 1985: 672). Without an understanding of these markets management will be unable to structure an organisation that will make it competitive, or develop the supporting personnel that makes it all possible. Leaders in almost every industry have explored potential opportunities or are in the process of exploring the potential of this new business environment. Porter (1990) states that companies gain advantages against the world's best competitors because of pressure and challenge. In a world of increasingly global competition, nations have become more, not less, important. As the basis of competition has shifted more and more to the creation and assimilation of knowledge, the role of the nation has grown.

Global organisations will be multinational not only in their business, but also in their workforces. Managers will have to be prepared to manage a diverse, cross cultural workforce. These new managers will have to be highly professional, of high quality, deployable, multi skilled, multi disciplinary, and cross cultural (Vanderbroeck, 1992: 97). Competitive advantage is created and sustained by highly qualified managers. The differences in national values, culture, economic structures institutions, and histories, all contribute to competitive success, but without highly qualified leadership, with an understanding of the global marketplace, companies have little opportunity to be successful in the global marketplace (Porter, 1990: 74).

Howe and Tseng (1990: 50-51) point out that international human resource development specialists (IHRDs) play both important and challenging roles. They face challenges from the fact that they frequently have to conduct training and development activities, e.g. technical training as well as social, cultural and developmental programmes, in different cultural settings. Multi-cultural literacy is part of the management development process. The company must possess people who are multi-functional, multi-cultural, and multi-lingual, as business will be conducted in different cultures, even different cultures within one nation.

According to Porter, companies that have achieved international leadership employ strategies that differ from each other in virtually every respect. Competitiveness in a specific industry results from convergence of management practices and organisational modes favoured in the country and the sources of competitive advantage in the industry. Countries also differ markedly in the goals that companies and individuals seek to achieve. Company goals reflect the characteristics of national capital markets and the compensation practices for managers (Porter, 1990: 81). The global competitor must understand and manage change or fall by the wayside. The ideal global corporation, as identified at the conference, was defined as one that is strongly decentralised to allow local units to develop products that fit into local cultures. At the same time, its core is very centralised, to allow companies to co-ordinate activities across the globe and capitalise on synergies and economies of scale (Greenbaum, 1992: 49).

2.4.5 CULTURAL DIVERSITY

Hofstede defines culture as the “collective programming of the mind” which distinguishes one group of people from another (Robbins, 1993: 75). Cox (1993) defines cultural diversity as the representation in one social system of people with different group affiliations of cultural significance (Cox, 1993: 6). Culture simply refers to a set of values, beliefs, attitudes and patterns of behaviour which are common and shared by a group of people in an environment (Howe and Tseng, 1990: 52). Cultures vary in distinct and significant ways of thinking, feeling, and behaving. Human beings are profoundly influenced by their cultural heritage (Adler, 1991: 33). Adler states that to understand the differences between domestic and global management, it is necessary to understand the primary ways in which cultures vary (Adler, 1991: 14). Diversity exists within and among cultures. However, within a single culture, “certain behaviours are favoured and others repressed” (Adler, 1991: 17). Culture includes: language, time, use of space, and religion, to name a few factors. Culture varies from nation to nation, within nations, those made up of a number of ethnic groups with different historical backgrounds (Schermerhorn, 1991: 79).

There are over 3,000 languages in the world. Some are spoken only by a handful of people, whereas others, such as English, Spanish, and Chinese, are spoken by millions of people. In some countries, including Canada, Switzerland, India, and Russia, there is more than one official language. Within languages there are different dialects and/or word definitions.

English, for example, is spoken in different countries, but each country has its own colloquialisms and slang expressions.

Attitudes toward time vary in different cultures. Many hold what could be called a traditional concept of time, which focuses on the present with little concern for the future. The modern view of time is quite different. Time is perceived as a straight line, rather than a circle. The past is gone, the present is here only briefly, and the future is almost upon us (Schermerhorn, 1991: 80). Understanding the time dimension is important to those who transact business, often expecting that appointments be made and kept on time. In some countries, time is viewed as money (a waste of time is a waste of money). In many countries, time is given little significance. The attitude is that what is not done today can be done tomorrow, or the attitude that time is of less importance than creating personal relationships.

Use of space is another cultural factor that requires interpretation. Space is important in creating personal relationships. Personal space is the “bubble” that surrounds us. We feel uncomfortable when others invade or “close in” on our personal space. The size of the personal space bubble varies from one culture to another. Arabs and South Americans, for example, are comfortable at close distances in contrast to North Americans. When a Saudi moves close enough to feel comfortable an American executive may back away. Cross cultural misunderstandings often result from such natural tendencies (Schermerhorn, 1991: 81).

Religion is a major element of most cultures. The influence of religion often prescribes rituals, holy days, and foods that can be eaten. Codes of ethics and moral behaviour often have their roots in religious beliefs. The influence of religion on economic matters can also be significant. In the Middle East, for example, one finds "Islamic" banks that operate on the principles prescribed in the Holy Qur'an, and not on the concept of interest, as charging is contrary to Islamic law (Schermerhorn, 1991: 81). It is obvious that national cultural differences are important but that their relative impact depends on the "stage of development of the firm, industry, and world economy." (Adler, 1991: 6)

2.5 THE IMPACT OF NATIONAL CULTURE

There has been an increasing awareness over the past few years of the impact that national culture has on the way people manage and work together in organisations. One of the most influential researchers in this area is Hofstede who surveyed over 116,000 employees and managers in forty countries who all worked for a single multinational corporation (Robbins, 1993: 75; Barham and Oates, 1991: 44-45). Hofstede suggests that national culture explains more of the differences in work-related values and attitudes than an individual's position in the organisation, a profession, age or gender. He found that there are four dimensions of culture that help explain how and why people from various cultures behave as they do. These findings suggest that cultures vary in four main dimensions: individualism versus collectivism; power distance; uncertainty avoidance; and quantity versus quality of life (Robbins, 1993: 75; Barham and Oates, 1991: 45).

Individualism versus collectivism describes the nature of relationships within a society. This varies in countries where ties between individuals are very loose and everybody is expected to look after their own interests, to societies where ties between individuals are very close and everybody is expected to look after the interest of their own group and to hold the opinions and beliefs of that group. Established wealthy countries such as the United Kingdom, the Netherlands and the United States, are more individualistic than less established or less wealthy countries such as Colombia, Pakistan and Taiwan (Robbins, 1993: 75; Barham and Oates, 1991: 45).

Power-distance is another cultural factors which varies from country to country. It measures the extent to which people in organisations accept the unequal distribution of power. Centralised authority and autocratic leadership are rooted in the mental programming, not just of people at the top, but also those lower down in the organisation. A high power-distance society accepts wide differences in power in organisations. Employees show a great deal of respect for those in authority. Titles, rank, and status carry a lot of weight. When negotiating in high-power-distance countries, companies find it helps to send representatives with titles at least as high as those with whom they are bargaining. High power-distance countries include Africa, Asia and Latin America, although France, Belgium, Italy and Spain score fairly high too (Robbins, 1993: 75-76; Barham and Oates, 1991: 45).

Another cultural factor is the uncertainty avoidance. This is defined as how people cope with risk and ambiguous situations and how far they try to avoid these by providing career

stability, establishing formal rules, relying on expert opinion, seeking absolute truths and rejecting deviant ideas and behaviour. The organisation encourages personnel to use their own initiative and assume responsibility for their actions. Latin countries, Japan and Korea score high in uncertainty avoidance. Germany, Austria and Switzerland score higher than other European countries (Robbins, 1993: 76; Barham and Oates, 1991: 45).

Another important cultural factor is quantity versus quality of life. This factor is concerned with the extent to which a society emphasises the quantity of life and values things such as assertiveness, the acquisition of money, and material things. Some cultures emphasise the quality of life found in relationships, showing sensitivity and concern for the welfare of others. High quantity countries include Japan, Germany, Austria and Switzerland, Italy, the United Kingdom, the United States, Venezuela, Mexico, the the Nordic countries, and the Netherlands (Robbins, 1993: 76; Barham and Oates, 1991: 46).

Barham and Oates propose that Hofstede does not suggest that all members of a cultural group hold exactly the same values. Rather, values are typical of a culture. The link is statistical, not absolute. Hofstede acknowledges that cultures shift over time but believes that most value changes are peripheral and do not touch the basic issues on which these four dimensions are founded (Barham and Oates, 1991: 46).

2.5.1 CULTURAL SENSITIVITY

Cultural sensitivity requires that we see ourselves as others see us, to understand how we may be viewed through the eyes of foreigners. One useful approach is role reversal,

imagining being in the shoes of a foreign person. In this position one can see the similarities and differences between that which we call foreign and that which we call common. Cross cultural sensitivity can also be enhanced by learning the language of the culture, its history, customs and traditions (Schermerhorn, 1991: 86).

International human resource development specialists need to increase their cultural sensitivity skills before they can solve problems arising from cultural differences found in management practices. In order to develop cultural sensitivity among expatriate managers, IHRDs need to be sensitive to and familiar with the host culture. Several ways can be employed to increase cultural sensitivities of IHRDs. These include: action learning, networking and experiential learning. If managers of MNCs are sensitised to cultural differences between their home and host countries, they will be able to appreciate the uniqueness of the people in host countries. Hence, if managers are culturally sensitive, they will be able to adjust their expectations and collaborate more effectively with local employees (Howe and Tseng, 1990: 52-55).

2.6 ALLIANCES

Alliances have become a common tool for extending or reinforcing the competitive advantage of global firms (Pucik et al., 1993: 336). Kruytbosch (1993) states that forward thinking global managers are discovering new ways to stretch their resources and gain a competitive advantage. Increasingly, they are surrendering their independence and linking up with foreign partners to exploit new opportunities around the world. In the fast moving

global marketplace, alliances are seen as essential. By sharing what each does best in marketing, research, distribution, new product development, licensing or manufacturing, they can produce much more than either can solo. They can do so faster, churning out the next generation of products before technological change makes them obsolete. By collaborating rather than duplicating effort, they cut the costs of new product development. These alliances have been described as a structural change in the way multinationals do business (Kruytbosch, 1992: 92).

Barham and Oates (1991) indicate that alliances aim to work together on customer service, marketing and sales and technical work. And, for firms entering new markets, a special challenge is to find new business partnerships and build new relationships. As one firm in the Barham and Devine survey perceptively pointed out:

Developing joint ventures and close co-operation with companies in other countries means accepting that such co-operation must change the way that a firm looks at its own tasks and activities. (Barham and Oates, 1991: 18-19)

Kruytbosch (1992) proposes that global alliances have grown from 20 to 30 percent per year since 1985. In contrast, some types of linkups have become less common, such as mergers and acquisitions. Further proof that alliances represent a growing trend, a study conducted by Venture Economics, a division of Securities Data Company, Newark, New Jersey, noted that the number of US companies allying with foreign partners grew to 2,084 in 1991 up from 1,393 in 1990. All types of businesses, from automobile manufacture to mid-sized companies have benefited from these alliances (Kruytbosch, 1992: 92).

Even if the scope of business activity increases in the global marketplace, cultural factors remain local. Internationally oriented companies often find their political voice reduced by their managers' greater reluctance to get involved in the cultural social arena. It is understandable that cosmopolitan managers might not identify with a cultural community but prefer to pull up stakes and move elsewhere. If cosmopolitan managers in global companies are not committed to doing business in a particular geographic area, the company will not be successful (Kanter, 1991: 156).

Kanter identifies a number of problems that global companies may have to face. Most agree that it is not the responsibility of the management of a company to solve local social problems. However, they must be aware of them, and not contribute in a negative way. Kanter states that environmental issues such as waste disposal and pollution are the second highest social priorities, falling behind education in degree of importance to one's business. Solving environmental problems is the responsibility of those that create them. At this time they have become world-wide issues as every nation is being touched by pollution.

There are many areas in countries where business does not want to traverse due to social problems such as alcoholism, drug addiction, crime, and poverty. Argentineans, for example, worry more about the impact of poverty and unemployment on business, while Americans see unsafe cities and substance abuse as more pressing problems (Kanter, 1991: 156).

What the World Leadership Survey revealed, though not specifically considered, was the importance of companies to have an understanding of the global market. Kanter (1991) indicates that the smaller world creates a bigger agenda for a business. There are more cultures to understand, more social responsibilities to master, more time pressures to juggle, and more relationships to rethink. This is necessary when identifying the characteristics of the company to see whether or not it is an organisation that has products suitable for this complex marketing environment. If it has such a product, the next step is the planning and preparation to enter the market. This may require extensive changes in the organisation, the addition of new technology, and training for management to function in this different environment (Kanter, 1991: 164).

Jacobs and Ettorre (1993) state more and more mid size companies are beginning to conduct business in overseas markets in response to shrinking domestic sales. Before sending millions of dollars halfway around the world, Jacobs suggests that companies need to ascertain the financial worthiness and business acumen of potential partners in global commerce. For large corporations, evaluating foreign partners can involve costly investigation which they can afford while the smaller companies do not have the financial resources to do so. When companies are reluctant to provide information, the task is made more difficult as banks protect financial information as well. Credit agencies can obtain information but it is not always complete. However, every effort should be made to evaluate a potential partner before investing millions of dollars that may not be possible to recover (Jacobs and Ettorre, 1993: 59).

2.7 SUMMARY

Globalisation has arrived in the world. The change began with the collapse of communism in Eastern Europe and the former Soviet Union and spread throughout the third world. Business and industry have come to realise that their theory of business has had to be changed to include markets throughout the world, and the way of doing business has to be changed to one that is more aggressive if growth, expansion, and profits are to be achieved.

Peter Drucker, a well known management theorist supports the view that many events have occurred which have brought the need for transformation of the way in which business is conducted. One of the major forces that have occurred is the creation of trade agreements, all of which have promoted free trade among and between nations. Technology has made a lot of these changes possible, and in many ways has demanded changes so that it can be utilised to its fullest advantage. Technology has had a strong impact on not only in breaking down barriers between nations, but also in the development of new products and services.

These changes have created a new marketplace, one that is very large, yet highly competitive. To achieve growth and increased profits, many companies are entering the global marketplace, not as multinationals, or just importing or exporting, but in creating offices, joint ventures, alliances, and subsidiaries in many different parts of the world. This is globalisation, which cannot be ignored if a company is to be successful

in maintaining its presence in the marketplace, experience growth, and increase profits. Participating in the global marketplace presents many challenges for every organisation. The challenges are massive and involve every aspect of the organisation, its structure, products, and primarily people. This requires rethinking the way in which business is being conducted and the core competencies available that will enable it to achieve a new mission.

Chapter 3, “Globalisation and HRD”, focuses on the theory of business and core competencies required if a company is to be successful in the global marketplace. For this reason, the chapter emphasises the importance of HRM and HRD being partners with all other elements of the organisation if the company is to be successful in the global environment. The objective of the chapter is to provide a review of literature on the subject of management and the importance of human resource development. To this end, material has been selected that clarifies the role of HRD in the organisation, and its importance if a company is to be successful moving into a new and different environment. The objective is to provide a clear picture as to the differences between managing in a global environment compared to doing business from a domestic and international perspective. It carries the theme that doing business in a global environment differs significantly from doing business in any other market and, therefore, the organisation requires a new set of core competencies that must be developed before strategies can be designed to support its new theory of business.

CHAPTER 3

GLOBALISATION AND HRD

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CHAPTER 3 GLOBALISATION AND HRD

Despite the importance of international staffing, international HRM remains one of the least studied areas of management of international business (Tung, 1981; Harvey, 1981; Ondrack, 1985a; Laurent, 1986; Onto, 1987; Hamil, 1989; Welch, 1990; Scullion, 1992; Briscoe, 1995).

3.1 INTRODUCTION

Personnel Management is generally regarded as being reactive, short-term, concerned mainly with playing a “mediator” role between the employees and the management of an organisation and fulfilling an administrative function (Guest, 1987), while HRM is seen to be more proactive, strategically orientated in its business objectives (Jones, 1996), concerned primarily with seeing and using its employees as an “resource” in achieving objectives (Fombrun et al., 1984). The various distinctions between personnel management and HRM will be discussed in greater detail in the next section.

As indicated in chapter 1, globalisation inevitably presents many challenges for managers in every organisation. These challenges involve every aspect of the organisation, requiring all of the abilities talents, and innovative thinking of management to enable them to compete effectively in the global marketplace. Companies can be successful if management is prepared to meet the demands of the changing market. This chapter focuses on HRM and HRD to prepare management to enter the global arena. Nevertheless, such a study requires a theoretical framework in which to explore the phenomenon under investigation. Because HRD is the strategic lever that enables an organisation to transform itself from a domestic

organisation to one that is global in nature, it is the major focus of this chapter. HRM/HRD issues include training, career development and the acquisition of the managerial competencies. The HRM/HRD factors are then synthesised into a model for developing global managers.

3.2 BACKGROUND

The debate about Personnel Management and HRM has mainly centred around their respective approaches to the management of people. Some argue that the two are entirely separate (Beer et al., 1985). HRM had its origin in personnel departments which came into being early in the twentieth century. At that time, the objectives of personnel departments were to gather data that would standardise hiring practices and improve procedures so the most highly qualified people would be employed in the public sector. Another responsibility of personnel was to insure that these practices would provide some benefits to employees during an illness, injury, and layoffs (Roback, 1989). Personnel management is generally seen as an administrative function, concerned mainly with the acquisition, development and motivation of employees needed by an organisation to achieve its business objectives, as well as playing a mediatory or conciliatory role between management and employees through its industrial relations role of collective bargaining. Torrington and Hall define personnel management as:

A series of activities which first enable working people and their employing organisation to agree about the objectives and nature of their working relationship and, secondly, ensures that the agreement is fulfilled. (Torrington, 1991 quoted in Ali-Khan, 1995: 13)

In the 1930s, prior to World War II, and in the 1940s Personnel was involved in designing MD programmes. Personnel Departments often became responsible for training not provided on the job. Personnel Departments were almost always involved in human resource planning (Roback, 1989). Recent developments within this strategic role, however, have given rise to the phrase 'human resource management', as an alternative to 'personnel management' (Tyson and York, 1989: 47; Beardwell and Holden, 1994: 658). HRM is sometimes defined as a qualitatively different approach which seeks to use the personnel policy areas of employee resourcing, employee development, employee relations and rewards within a broad strategic plan for the people part of the business, in order to improve or sustain an organisation's competitive advantage (Tyson and York, 1989: 47). As defined by Mackay and Torrington, HRM is "directed mainly towards management needs for human resources (not only employees) to be provided and deployed. There is greater emphasis on planning, monitoring and control, rather than on problem solving and meditation. It is totally identified with management interest and it is relatively distant from the workforce as a whole." (Mackay and Torrington, 1986 quoted in Gunnigle and Flood, 1990: 307)

Table 3.1 Personnel Management and HRM Compared

	Personnel Management	HRM
Input into corporate planning	Issue specific	Integrated
Time & planning perspective	<ul style="list-style-type: none"> ◦ Short-term ◦ Reactive, ad-hoc ◦ Marginal 	<ul style="list-style-type: none"> ◦ Long-term ◦ Proactive ◦ Strategic
Psychological contract	◦ Compliance	◦ Commitment
Employee relations perspective	<ul style="list-style-type: none"> ◦ Pluralist ◦ Collective ◦ Low-trust ◦ Adversarial 	<ul style="list-style-type: none"> ◦ Unitarist ◦ Individual ◦ High-trust ◦ Mutuality
Preferred structures/systems	<ul style="list-style-type: none"> ◦ Bureaucratic/mechanistic ◦ Centralised ◦ Formal defined roles 	<ul style="list-style-type: none"> ◦ Organic ◦ Devolved ◦ Flexible roles
Roles	Specialist/professional	<ul style="list-style-type: none"> ◦ Largely integrated into line management Change agent
Evaluation criteria	Cost minimisation	◦ Maximum utilisation of human resource (Human asset accounting)
Employment assurance	nil	Implicit guarantees

Source: Gunnigle, P. and Flood, P. (1990: 305).

Table 3.1 shows that HRM is different from personnel management, although there is some merit in the argument that when personnel management and HRM are compared at the normative level there is little difference (Gunnigle and Flood, 1990: 305). Guest (1989) wisely offers the caveat that one should not assume that HRM is necessarily better than personnel management. He argues that, in certain contexts (such as public service bureaucracies, organisations with adversarial industrial relations, traditions etc.), personnel management in the traditional mode may be the most appropriate course of action to adopt.

Table 3.1 shows that human resource considerations are fully integrated into the corporate planning process in the HRM model. HRM is seen to be long-term and proactive (Gunnigle and Flood, 1990: 306) emphasising the strategic aspects, a high level of trust and expecting commitment from the workforce rather than compliance (Guest, 1989). It is also oriented towards teamwork and maximum utilisation of the employees through multi-skilling and functional flexibility. There has been a gradual movement away from collective bargaining, due to the decline of trade union power, towards individually negotiated wage/salary agreements, performance related pay, personnel contracts, all dependent on the ability of the employee to “fit” into the organisation and its culture (Ali-Khan, 1995: 16).

Under HRM, employees as well as organisations are expected to be more flexible, particularly in light of rapid economic and technological changes that are forcing most organisations, both in the industry and service sectors, to be more competitive as well as providing quality at the same time. This means that organisations need to move away from their traditional bureaucratic and hierarchical structures towards more organic, flatter, decentralised and responsive work units and groups. In addition, there needs to be greater integration and co-ordination between the various parts that comprise the organisation to avoid duplication of effort and wasted resources (Ali-Khan, 1995: 16).

As a comparison, the above table shows that personnel management appears to be short-term and reactive, concerned with resolving issues in the present and not looking at the

long term consequences. This is particularly true with regards to industrial relations where the main concern is in settling the dispute immediately and getting the workforce back to work, at the least possible cost to the organisation, rather than looking at the reasons for the dispute in the first place and the consequences of decisions made now are left to be resolved at a later stage, if at all (Fombrun et al., 1984). Gunnigle and Flood (1990) indicate that "traditional personnel management is characterised as subservient to the dominant organisational philosophy of management accounting, with its emphasis on cost control of overheads (including human resources in this instance)." (Gunnigle and Flood, 1990: 306) Under personnel management, all employees are expected to follow organisational rules and procedures, so emphasis is on compliance, while the organisational structures are seen to be hierarchical and mechanistic with formally defined structures and roles.

Finally, Table 3.1 indicates that HRM is characterised as providing implicit guarantees of job security while traditional personnel management approaches rarely, if ever, provide such guarantees. Torrington adds to the distinctions outlined workforce centredness to resource centredness, from a traditional 'man in the middle' role to a total identification with management interests, and from a unified organisation-wide personnel strategy to a core-periphery approach:

We have a major shift of approach to the employment of people; moving away from the traditional orientation of personnel management towards conciliation, propitiation and motivation of employees as a potential unco-operative cost. Those who do the work of the organisation are instead to be seen as an asset, in which to invest, so adding to their inherent value, needing less supervision and more scope and autonomy. A

less apparent feature of HRM is that some of those who do the organisation's work are regarded as less committed to that organisation through being located at the periphery rather than in the core. The starting point becomes the resource required rather than the workforce to be deployed, with overtones of human capital theory. (Torrington, 1988: 3)

Roback (1989) reports that the evolution of personnel management and training into the HRM and HRD orientations began in the 1950s, when Drucker and McGregor advocated goal-directed leadership. In addition, Bengtsson (1991) proposes that the importance of the human capital component of national wealth has been recognised and analysed by many economists during the post-war period. During the 1980s there was a growing government interest in HRD. Many national governments started to address the issue of whether existing systems of education and training were adequate to meet increasing international competition and the challenges posed by new technologies (Bengtsson, 1991: 1085). In keeping with this changing environment, the term "Personnel Management" is being superseded by "HRM". According to Schuler et al. (1988), this reflects:

The vital role human resources play in an organisation, the challenge in managing human resources effectively, and the growing body of knowledge and professionalism surrounding P/HRM. (Schuler et al., 1988: 9-10)

According to Welch (1990) there is some debate in the literature about the appropriateness of this name change (for example, see Guest, 1989; Keenoy, 1990). An area of concern is that a change in title alone is likely to prove no more than a short-term palliative measure. However, the function of HRM is changing:

HR is as much a part of the modern-day concept of management as marketing, finance, and public relations. HR management is not viewed as simply an ancillary function of management, but as one of the central

functions of management at all levels. There is ever-increasing recognition that the success of a company depends in large part on the success of its HR management. (Gaugler, 1988 quoted in Welch, 1990: 3)

While personnel management has a well documented history and clearly defined developmental stages, HRM is relatively recent in origin and despite its increasing use, has been difficult to define. Its origins lie in the roots of American personnel administration and the growth of the behavioural sciences and human relation thinking of such pioneers as Chester Barnard, Elton Mayo, Maslow, McGregor and Herzberg (Berridge, 1992). This later developed into an emphasis on strategic management and the integration of human resources into corporate and business strategies (Jones, 1996). The importance of HRM & HRD will be discussed more fully in the next section.

3.3 HRM & HRD

Today, the terms HRM and HRD are often used interchangeably. Keep (1989), states that the word “human” in some way implies a focus on present and future employees in the organisation. The term “resource” implies the need for investment in such resources. “Management” implies the existence of a series of co-ordinated and systematic strategies to direct the efforts of subordinates to achieve organisation goals. Development pertains primarily to programmes designed to increase or improve the skills of management and employees for the purpose of improving productivity, changing behaviour, and preparing human resources to provide the skills needed to achieve organisation goals today and in the future.

Bramham (1989) reports that the human resources of an organisation are required to produce a product or provide a service. This resource includes individuals with a wide variety and range of skills, abilities, and knowledge who are expected to perform tasks in a manner that contributes to the achievement of organisational goals. How effectively employees contribute to the organisation depends in a large part on the quality of the organisation's HR programmes and the support of management (from the CEO to first-line supervisors). This is necessary to create an environment that brings the highest rate of return on the organisation's investment in human resources (Sherman and Bohlander, 1992: 3; Bramham, 1989: 3-4).

HRM is a major force in driving organisational performance (Tichy et al., 1982: 60). Roback (1989), drawing an a review of literature, defines HRM as follows:

HRM is concerned with the totality of organisational co-ordination and integration of strategic human resources that in government are often concentrated in knowledge or information jobs. HRD is concerned with building workforce performance, in this knowledge context, to better meet the needs of public organisations. (Roback, 1989: 138-39)

He states there are three basic components of HRM:

1. On-going assessments of skills needed in the organisation;
2. Programmes designed to meet needs such as employee training, organisation development and monitoring of worker productivity to meet organisational goals; and
3. Evaluation of developmental and educational efforts to determine the degree of performance and its relationship to organisational goals.

Beer et al. (1985) define HRM as involving all management decisions and actions that affect the nature of the relationship between the organisation and its human resources. General managers make important decisions daily that affect this relationship, but are not thought of as affecting HRM. Examples are: introducing new technology in a particular way, or approving a new plant with a certain arrangement of production operations. Since these decisions involve people, they also affect HRM and HRD. Keep (1989) was aware of the problem when he stated that HRD may act as a trigger for wider HRM policies and activities. In addition, Mahoney (1990) sees HRD as part of the HRM function in an organisation. Mahoney supports the view that HRD cannot function as an entity in itself (Beer et al., 1985:1); and a strategic department to HRD is fundamental to the adoption of a comprehensive HRM approach in the organisation (Garavan, 1991: 23).

Buckley and Caple (1990) indicate that in the past, should HRD have been implemented, it was a closed system and applied to only a few employees. This resulted in making it unresponsive to organisational needs. Management was unaware of how its activities linked with HRM. It was viewed as a strategy for retaining, developing and motivating selected personnel (Buckley and Caple, 1990). The ability to compete globally depends on the quality and quantity of HRD activity in the organisation (Marquardt and Engel, 1993: 4). HRD is perceived as an important factor in the economy and a central issue in international trade problems. Some policy makers see improving workforce proficiency as a "major competitive advantage" and are thus providing financial incentives or other encouragement to enable more employee training (Craig,

1986: 467). HRD plays a significant role in supporting and directing continuous improvement in organisation culture (Ferketish and Hayden, 1992: 39).

Armstrong (1993) reports that the essence of HRM is that employees are valued as assets and that their value should be increased by a planned approach to investing in their T&D. This is the basis of HRD:

HRD is about enhancing and widening these skills (the skills base that is needed by the organisation) by training, by helping people to grow within the organisation, and by enabling them to make better use of their skills and abilities. (Armstrong, 1993: 152)

Nadler (1990) points out that HRD is concerned mainly with training provided by employers to their employees or by an organisation to non-employees, according to the goals of the organisation: "Organised learning experiences in a definite time period to increase the possibility of : improving job performance growth." (Nadler, 1990: 1.3)

HRD is the integrated use of training, organisation development (OD), and career development to improve individual, group, and organisational effectiveness. This definition is supported by the American Society for T&D (ASTD). The ASTD has chosen these three categories of HRD, because T&D will help to identify and develop the key competencies that enable individuals to perform current or future jobs. The ASTD indicated that OD assists management to initiate and manage change. Finally, they point out that career development can help individuals to achieve an optimal match of personal as well as organisational needs (Marquardt and Engel, 1993: 6-8; McLagan, 1989: 52).

OD, as a dynamic process, recognises that organisations cannot continue to function as they have in the past, but must make changes in order to meet the needs of the changing environment. Many of these changes can be attributed to globalisation; mergers and acquisitions, deregulation, joint ventures; and increased customer focus on product/service quality. Changes also need to be made to develop an entrepreneurial spirit in the organisation to reduce layers of management for more effective control, and increased employee involvement in the problem solving and decision making processes. Noel and Dennehy (1991) indicate that six steps can help the HRD professional become a significant force in designing and implementing organisational change. First, HRD activities should include a strategic approach in which the key initiatives to which the organisation is committed are identified and around which the HRD programmes are built (Noel and Dennehy, 1991: 17). Second, an HRD programme supporting key strategic initiatives, gains its strength from the vision and commitment of top management. The third step is the need to refocus the mission, goals and objectives of the organisation in preparation for entering the global marketplace. This includes areas such as international finance and working in a cross-cultural environment. Fourthly, the HRD programme should include all employees in the organisation who wish to develop new skills. Fifthly, HRD activities should use a participation approach with employees who can make the greatest contribution to the change in direction of the organisation. Finally, HRD must design and implement changes in such a way that resistance is minimised and full co-operation from all individuals is achieved.

These six steps can assist the HRD professional to become a significant force in the transformation of a company to meet changing needs in the external environment and thus give it a competitive edge in the marketplace (Noel and Dennehy, 1991: 17-19).

3.4 IMPORTANCE OF HRD

Today's information age and global economy are changing the business environment itself. Furthermore, much of today's economy has become invisible to the individual or organisation not globally oriented. At the same time, almost everything has some impact on HRD. In the 1990s, human resources are going to be even more crucial to the success or failure of organisations (Lynch and Kordis, 1991; Thomson, 1993). Organisations, therefore, must make continuous improvement a way of life. HRD must play a significant role in supporting change and improving management and subordinate skills for higher productivity, as well as greater efficiency in operations (Ferketish and Hoyden, 1992).

Marquardt and Engel (1993) report that Organisation/Job Design, Human Resource Planning, Performance Management Systems, and staffing and selection are closely related to HRD. Developing human resources, though, is not its primary purpose. On the other hand, they state that Compensation, Benefits, Employee Assistance, Union/Labour Relations, and HR Research and Information Systems do contribute to human resource productivity but are less focused on in development strategies.

HRD is also concerned with human resources and skills that are needed as a result of changes taking place in business and industry. HRD, if implemented effectively, can assist management to continually redefine meaningful work as well as equip employees with the skills needed for career changes due to the changes in the work environment. Employees will be forced to examine their skills to determine to what extent they meet what is most needed in the workplace today and prepare themselves to meet the needs of the future. For some, career goals may have to be changed (Lynch and Kordis, 1991: 50).

Garavan (1991) proposes that in fact most top management are not committed to T&D activities. Top managers are often too busy to consider the benefits of HRD. They tend to devalue T&D, many perceiving it as either irrelevant, or as a threat to their position. Brown et al. (1989) add that because senior managers are often not very concerned about their own development, inevitably this inhibits their ability to recognise that their skills, as well as those of their subordinates, may be outdated (Garavan, 1991; Brown et al., 1989).

HRD programmes are vital to organisations if they are to have a competitive edge in the marketplace (Kramm, Kenneth and Kramm, Deborah, 1988: 88; Stephan et al., 1988: 32). Megginson et al. (1993), however, warns that an understanding of what should be done is needed before managers introduce change. He suggests that HRD needs to be integrated in all organisation planning processes. What needs to be done can often be identified by furnishing answers to the following questions:

What changes in skills and competencies are required to support improved job performance in specific individuals?

What current opportunities are provided to help staff acquire new skills?

Who has responsibility in the organisation for ensuring that appropriate learning opportunities are provided?

How can managers and employees be persuaded to see that continuing T&D is the norm rather than the exception for more than a privileged few?

What have we learned from previous experiences with T&D? (Megginson et al., 1993: 14).

If HRD strategies are to be effective, not only must their development reflect the organisation's international complexities and meet its needs, but line management must recognise the contribution that these strategies, properly implemented, can make to their operational objectives (Onto, 1987: 32). Dowling et al. (1994) report that domestic HRM is taking on some of the flavour of IHRM as it deals more and more with a multicultural workforce. IHRM involves the same functions as domestic HRM. Domestic HRM, however, is involved with employees within only one national boundary.

3.5 INTERNATIONAL HRM AND HRD (IHRM and IHRD)

According to Von Glinow et al. (1986) the global economic environment has given rise to a new, critical human resource demand: the development of the international manager. This has implications for HRM and HRD, but some firms still operate under the "domestic equals international performance" equation (Welch, 1990: 3). Many staff members, however, continue to be assigned to manage and work in a foreign environment without adequate preparation for the cultural differences they will encounter. This is a cause for concern. Ondrack comments on this situation:

[Multinational companies] that fail to have an appropriate human-resources strategy for providing the necessary managers for international operations may find its other strategies for international operations compromised or falling short of expectations. (Ondrack, 1985a: 6)

Effective management of human resources should be a major goal of organisations, whether international or domestic. "In the international arena, however, the quality of management seems to be even more critical than in domestic operations," Scullion (1992) states and there is some evidence to suggest that business failures in the international arena may often be linked to poor management of human resource (Scullion, 1992: 57).

Morgan (1986) suggests that as international business plays a larger role in firms, IHRM and IHRD will be recognised as an important aspect of international operations. There is, however, a growing recognition by both practitioners and academics of the importance of HRM in terms of contributing to an international competitive advantage for organisations (for example, Porter, 1985; Doz and Prahalad, 1986; Bartlett and Ghoshal, 1989; Sherman and Bohlander, 1992; Briscoe, 1995). The traditional approach of compartmentalising HRM practices within country boundaries is being questioned and an integrated approach to HRM to assist in the development of effective global management is being advocated (Pucik and Katz, 1986; Welch, 1990).

The development of a transnational capability will depend greatly on a company's approach to IHRM. Torrington (1994:6) argues that IHRM is simply HRM on a large scale; the strategic considerations are more complex and the operational units more varied,

needing co-ordination across more boundaries. Dowling et al. (1994: 5) suggest that IHRM is more complex than domestic HRM because the nature of international business operation involves further complexities of operating in different countries and employing multicultural workers (For example, see Morgan, 1986: 44; Scullion, 1992: 57; Dowling et al., 1994: 4; Storey, 1995: 352). Dowling et al. (1994) conclude that there are several factors differentiating IHRM from domestic HRM: more functions and activities performed in a broader perspective; more involvement in employees' personal lives; change in the workforce mix of expatriates and locals; risk exposure; and more external influences. For greater clarification, these factors have summarised in Table 3.2.

Table 3.2 Factors that Differentiate International HRM from Domestic HRM

<u>Factors</u>	<u>International HRM</u>	<u>Domestic HRM</u>
More function and activities	International taxation, international relocation and orientation, administrative services for expatriates, host government relations, and language translation services.	These functions and activities are not necessary.
Broader perspective	International HR managers face the problem of designing and administering programmes for more than one national group of employees, they need to take a more global view of issues.	Domestic HR Managers generally administer programmes for a single national group of employees.
More involvement in employees' personal lives	International HR department needs to ensure that the expatriate employee understands housing arrangements, health care, and all aspect of the compensation package provided for the assignment.	Involvement with an employee's family is limited.
Changes emphasis the workforce mix of expatriates and locals	The need to change emphasis in personnel operations as a foreign subsidiary matures.	No need to change emphasis in personnel operations as a foreign subsidiary matures.
Risk exposure	<ul style="list-style-type: none"> -The human and financial consequences of failure in the international arena are more severe than in domestic business. -Direct costs per failure to the parent company may be as high as three times the domestic salary plus relocation expenses. Companies must consider terrorism factor. -The need to devise emergency evacuation procedures for highly volatile assignment locations. 	<p>Less severe</p> <p>No high cost</p> <p>No need</p>
More external influences	Type of government, the state of the economy, and the generally accepted practices of doing business in each of the various host countries in which the business enterprise operates.	No external factors

Dowling et al. (1994) conclude that the basic functional areas of HRM do not change substantially between the international and domestic environment. However, the above

table shows that international HRM does involve a more diverse set of activities with a more diverse population in a more complex internal/external environment. It would appear that domestic HRM provides a basis for the development of IHRM activities, but managers need to be aware of differentiating factors. Indeed, according to Morgan (1986) and Welch (1990), HRM makes an important contribution to the success of international operations and is worthy of more attention and study in its own right.

Marquardt and Engel (1993: 7-8) argue that global HRD involves the same practice areas, roles, functions, and activities as domestic HRD. These areas include:

- a. **Training and development** focus on identifying, assuring, and helping develop, through HR planning, the key competencies that enable individuals to perform current and future jobs.
- b. **Organisation development** focuses on assuring healthy inter and intra-unit relationships and helping groups initiate and manage change.
- c. **Career development** focuses on assuring on alignment of individual career planning and organisational career management to achieve an optimal match of individual and organisational needs.

To operate effectively global managers require specialised skills that may not be taught in universities nor acquired in the domestic workplace. The process of learning from experience is often costly to the corporation by limiting its ability to participate aggressively in the global marketplace. A survey of multinational companies in the US

found that only 12 percent offered seminars and workshops on the cross-cultural aspects of doing business in foreign countries (Callahan, 1989: 29).

Barham and Oates (1991: 20-21) propose that the success companies achieve in their globalisation policies will depend on their approach to IHRM. Companies that took part in the Ashridge survey conducted by Barham and Oates placed international HRM issues as an equal priority with customer-focus, strategic alliances, and organisation design. Major HRM policies adopted by companies in the Ashridge survey included :

- *identifying and retaining highly qualified people;*
- *ensuring sufficient quality and quantity of management at the appropriate time;*
- *ensuring management succession;*
- *sustaining and improving performance at all levels in all areas of business;*
- *increasing the depth of talent in the organisation;*
- *making sure that people have the technical and managerial skills to compete;*
- *total quality management and changing people's attitudes to quality;*
- *establishing training as part of the management culture;*
- *gaining top management and line management interest in HRD;*
- *linking HRM to strategic objectives.*

According to the authors (1991: 21), addressing all these issues is a major challenge even in a purely domestic setting: "As one company said, the challenge will lie in ensuring that HRM adequately responds to new international market orientations." Barham and Oates believe that a dearth of internationally skilled people may be an important constraint on global ambitions. Hence, the development of international managers is an important priority to prepare for the future.

It is essential that employees possess a global perspective which is focused on the creation of products and services for world markets. E. Jeffrey Stoll, Director of Corporate Personnel Relations of Merck, believes that companies cannot be successful in the global marketplace without a strong commitment to the development of their human resources:

We must be globally competitive in terms of human resources. If not, we won't be where we want to be five years from now. (Sherman and Bohlander, 1992: 5)

Marquardt and Engel (1993) indicate that both government and privately-funded studies agree that more than 30 percent of US corporate overseas assignments fail. The two main causes for these failures are a lack of general preparation and poor initial selection processes. They also indicate that the practice of HRD in a national context is difficult and therefore it is not surprising that global HRD is even more complex. Moreover, success in the domestic environment does not guarantee success in a foreign culture.

According to Marquardt and Engel (1993) almost all global HRD professionals agree that attitudinal competencies are crucial for global success. The five most important competencies required of HRD professionals are: first, a respect for the values and practices of other cultures. Secondly, tolerance of ambiguity, in particular, the ability to react to unusual and unpredictable situations without discomfort or irritation. Thirdly, practitioners must be thoroughly prepared for all HRD activities, accept personal responsibility for their efforts, and show concern for quality and improvement. Fourthly, initiative and persistence are necessary for global HRD success. Global HRD practitioners are often far away from headquarter's support and are in situations where they are expected to show leadership and responsibility. The fifth competency is the ability to manage stress which is certain to be very high in cross-cultural situations, where there is considerable uncertainty and tension. In such situations an accommodating attitude combined with a sense of humour is "indispensable for dealing with the cultural mistakes and *faux pas* you will certainly commit." (Schuman, 1988: 11) However, many questions

about the inter-relationship between HRM and other aspects of international business remain (Welch, 1990):

Many organisations are indeed confronted with the issues of managing human resource internationally ... Yet these new international processes are so complex and so poorly defined and ill-understood at the moment that superficiality remains the mark of most treatments. (Laurent, 1986: 92)

He further adds that, the field of HRM is in a stage of adolescence, IHRM is in a stage of infancy. This demands a greater need for T&D.

3.6 TRAINING AND DEVELOPMENT (T&D)

The primary objective of T&D is to prepare managers within the organisation to assume greater responsibilities through the acquisitions of new skills and new ways of thinking. Ideally, top management should determine the general scope and nature of T&D programmes when they are developing the company's strategic plan. T&D programmes are integrated into short and long range plans to ensure that the necessary skills are available at the required time (Klatt et al. 1985:337).

T&D provides an important link between staff selection for overseas assignment and predictors of expatriate success (Murry and Murry, 1986; Welch, 1990). Cross-cultural training, for instance, has two positive impacts on skill development and adjustment and performance as it allows individuals to more rapidly adjust to a new culture and be more effective in their new roles (Black and Mendenhall, 1990; Thompson, 1986; Welch, 1990). Thus, T&D of expatriates should begin where the selection process ends (Rahim, 1983; Welch, 1990). Once T&D needs have been identified a policy decision should establish the general training methods which are to be adopted. The choice depends on the number and

seniority of employees to be trained, company facilities, teaching skills available, and the financial resources allocated to training.

Programmes must be constructed within a framework of four major activities: training, development, education and retraining. Training is a systematic way of improving performance and preparing individuals for advancement. Training is a job-related programme which should develop mental as well as manual skills, increase knowledge and change attitudes. Development programmes are person-oriented and are designed to prepare specific employees for a broader role in the company. Development focuses on improving conceptual, decision-making and interpersonal skills in complex and unstructured situations.

Education is also an individual learning experience and focuses on improving knowledge, understanding and thinking processes to broaden the range of responses. Retraining is experience-oriented which provides the special skills and attitudes necessary for some individuals to adapt to a new role in the company. One example might be an individual's reintroduction into a cultural environment in which there is a need to function at the same level as other employees within the group or division (Klatt et al., 1985: 346).

The development of the global organisation requires senior managers who are not only internationally mobile but who "in their minds can also travel across boundaries by understanding the international implications of their work." (Mabey and Salaman, 1995: 422) Therefore, an emphasis on the T&D of expatriates is important. However, to compete successfully in a global market, "an increasing number of multinationals recognise that it is vital to train all categories of employees including host-country and third-country nationals-so that high-calibre staff are available when and where required." (Dowling et al., 1994: 121) A company which fails to train will find itself dependent on the labour market,

and hence be in a position in which it is unable to regard labour as anything but a cost (Storey, 1995). Training, therefore, must be well planned. It cannot be limited orientation sessions and cultural briefings, often imparted via lectures, handouts or case studies and supplemented by further reading. The analysis of intercultural competence (e.g. Gertsen, 1991 quoted in Mabey and Salaman, 1995: 424) noted that cognitive awareness and understanding, whilst important, are not the only important attributes of a successful global manager or expatriate.

In the global organisation, training programmes must be designed to meet long range as well as short range objectives when certain skills are needed. Training needs to be designed for employees at all levels, as well as management, and must adequately prepare manpower if the goals of the company are to be achieved (Al-Qahtany, 1995a: 66-67).

Meggison et al. (1993) propose that, given the increasing emphasis on T&D nationally and regionally, managers must view HRD as an opportunity to identify the competencies and skills required to support the company's plans to enter the global marketplace. MD plays a major role in a successful training programmes.

3.7 MANAGEMENT DEVELOPMENT (MD)

Anderson (1993) indicates that the successful formulation and implementation of business strategies depends on the quality of human resource policies in general and, in particular, on well thought out, yet flexible, approaches to MD. Livy (1988) defines MD as:

a series of processes, activities and events within and/or outside the organisation designed to improve the performance of both the organisation

as a whole, and the individuals within it. (Livy, 1988 quoted in Anderson, 1993: 15)

The nature of training for non-managerial employees differs from training needed by those in managerial and executive positions. It is therefore necessary to differentiate “employee training” and “MD.” The majority of employee training is job or task-central rather than career-oriented. It is viewed as being supplementary to the basic job and skill training obtained from other institutions such as public and technical schools. On the other hand, MD includes the processes by which managers and executives acquire not only skills and competencies in their present positions, but increase their management abilities to prepare them for future managerial challenges. This includes the ability to analyse complex situations and make quality decisions as to changes that need to be made to enable the company to be competitive in the marketplace (Christiananta, 1986: 86; Beck and Jones, 1988: 11):

No company large or small, can reasonably expect to survive in the competitive area without knowledgeable, well-trained management personnel. (Tuller, 1991: 359)

According to Mumford (1994: 340) the two main causes of failure are the mismanagement of cultural differences and communications. Managers who have worked across cultures and have faced these problems now recognise that culture differences and poor communications strain corporate cohesiveness, delay or prevent agreement on plans, inhibit managerial consistency and even block new policy implementation.

From a global management perspective, MD requires both 'on-the-job' and formal training which prepares managers to work in a variety of locations and with a variety of people.

T&D programmes must be planned and delivered by multinational teams as well as offered to multinational participants. To be effective globally, programmes cannot be planned by one culture and simply exported abroad. One cultural value system cannot dominate either the process nor the programmes (Adler and Bartholomew, 1992: 59).

Foreign assignments are a core component of the organisational and career development process. Employees are given foreign assignments to develop world-wide perspectives and cross-cultural skills. The organisation needs a cadre of globally sophisticated managers who are at ease in any country. Foreign assignments are no longer used simply to get a particular job done or to socialise foreign country nationals into the parent country culture. Rather, they are used to enhance individual and organisational learning in all parts of the system (Adler and Bartholomew, 1992:60). They are also required for retraining following a foreign assignment for re-training into the corporate structure (Shaeffer, 1989: 34).

Retraining managers means that decisions about career paths must take into account the firm's needs and operations world-wide. Performance incentives, rewards and career opportunities must meet world-class standards so that the firm does not lose its most competent people. Firms must benchmark excellence in their human resource systems against their most significant global competitors in the same ways that they assess the relative competitiveness of their research and development, production, marketing and financial systems. The organisational incentives and career opportunities must be equally accessible and appealing to managers from all nationalities. Firms with global human resource systems do not create a glass ceiling beyond which only members of the headquarter's nationality are promoted (Adler & Bartholomew, 1992: 61).

Furthermore, globalisation has had and will continue to have a significant impact on the field of HRD (Marquardt and Engel, 1993). As mentioned earlier, HRD is the integrated

use of T&D, organisation development, and career development to improve individual, group and organisational effectiveness. The following section will examine the T&D of managers to support companies entering the global marketplace.

3.8 ENTERING THE GLOBAL MARKETPLACE

Kirkbride (1994: 226) suggests that managers and scholars generally agree that there is no such thing as a universal global manager. However, there is less agreement on how to identify the different kinds of international managers operating in organisations or those that will be needed for the future. The global manager is not simply an expatriate based abroad, nor as a jetsetter who travels extensively from one country to the next.

Storey (1992) believes that there is no one profile of the ideal global manager. He indicates: "there are different roles to be played and therefore different role requirements and different person specifications." Storey suggests five types of managers working in the international environment: (1) the multi-cultural team member who works on a series of international projects; (2) the internationally mobile manager who undertakes frequent, short visits to numerous overseas locations, remaining loyal to the parent culture; (3) the traditional expatriate who carries the parent company culture but spends lengthy assignments in a limited number of host countries representing the parent company; (4) the home-based manager with a central focus on international markets overseas; and (5) the transnational manager who moves across borders on behalf of the corporation and is relatively detached from any single company. In a sense, the transnational manager is the one that functions as a global manager and as an international manager (Storey, 1992: 3).

The need to enter the global marketplace presents the greatest challenge to management. Doing things differently is obviously necessary, but the general uncertainty about what needs to be done can lead to changes that have not been thoroughly researched. Markets of the different countries are conditioned by the culture in which they have matured and from which they have gathered their values and attitudes. Changes must be designed that will enable the company to maintain its own identity while at the same time adapting its operation to meet the needs of a foreign environment. There are many examples that can be cited. British and French managers are considered reluctant to make changes in their operations whereas the Japanese have a different attitude saying that "change is just part of the job of the manager." (Torrington and Holden, 1992: 19-20)

While most companies require only a few truly global managers to implement cross border strategies, the particular qualities necessary for such positions remain in short supply. It is this limitation in human resources, not simply unreliable or inadequate sources of capital, that has become the biggest constraint in most globalisation efforts (Bartlett and Ghoshal, 1992: 132).

There is no single model for the global manager. That is to say neither the old line international specialist nor the more recent global generalists are adequate solutions to the complexities presented by the global environment. It is known that the dynamism of today's marketplace calls for managers with diverse skills. Responsibility for ensuring that management has the ability to participate in global operations belongs to senior executives who must be prepared to

deal with intense interchanges and subtle negotiations to effectively function in foreign environments. Those in middle management must have a clear understanding of the organisation's global mission and objectives for both short and long range operations (Bartlett and Ghoshal, 1992: 131).

Global managers require several new skills to be effective in less hierarchically networked firms which are becoming the norm in international business. First, the ability to work with people of other cultures as equals; secondly, the ability to enhance organisational capability for learning. Managers must learn how to collaborate with partners world-wide, gaining as much knowledge as possible for each interaction and transmitting that knowledge quickly and effectively throughout the world-wide network of operations. This requires managers who have the desire and skills to quickly and continuously learn from people of other cultures (Adler and Bartholomew, 1992: 56).

According to Peak (1991: 32) a global management style will take some time to develop and can only happen if senior managers from various countries share their viewpoints on a variety of topics: "Globalisation is not where you do business, but how you do business." Globalisation means more than having a network of markets and offices scattered about the world.

Ratiu (1983) examines the characteristics of managers rated as internationally effective by their colleagues while attending business schools in France and Britain. Effective global managers were said to be those who were adaptable, flexible, open-minded, speakers of foreign languages, and having amicable relationships with people of different nationalities. This group is more intuitive, more provisional in their judgements, more open to

discussing their experience of culture shock and how they handle it, and more concerned about understanding specific experiences rather than making global generalisations (Ratiu, 1983 quoted in Smith, 1992:46).

Smith (1992) proposes that training programmes must include cross cultural experiences in the global marketplace for these provide valuable lessons for those planning to enter the foreign environment. This requires development of the ability to understand the differences in cultural attitudes, habits, customs, traditions, etc., that will be experienced in the global environment. It was Smith's view that language proficiency was the primary barrier to cross-cultural effectiveness:

The value of language training is widely agreed but not always implemented. There is substantial progress in this field in Europe and Japan, but opportunities are lost by British and American firms who give language training a lower priority. The increasing integration of language and business training in continental European countries is a notable advance. (Smith, 1992: 47-48)

Bartlett and Ghoshal state that today's international climate demands on highly specialised yet closely linked groups of global business managers, country or regional managers, and world-wide functional managers. A flexible management process is required which links business, country and functional managers to form a triad of different perspectives that balance one another. Hence, according to Bartlett and Ghoshal (1992: 124) transnational companies can build three strategic capabilities:

- global scale efficiency and competitiveness;
- national level responsiveness and flexibility; and
- cross market capacity to leverage learning on a world-wide basis.

An emerging group of companies have begun to transform the classic hierarchy of headquarters-subsidiary relationships into an integrated network of specialised yet interdependent units. For many, the greatest constraint in creating such an organisation is a severe shortage of executives with the skills, knowledge and sophistication to operate in a more homogeneous and less classically hierarchical network (Bartlett and Ghoshal, 1992: 124).

Global managers must possess the abilities of a strategist, an architect, as well as a co-ordinator. They must achieve the most efficient distribution of assets and resources for the highest return on investment. They must fashion a repertoire of approaches and tools from simple centralised control to management of exceptions identified through formal policies to direct management via informational communication channels (Bartlett and Ghoshal, 1992: 127).

Callahan (1989) states that managers consistently need T&D in order to develop such capabilities. He uses examples of European companies that used international seminars early in their training programmes. This may also mean using international business trips as developmental opportunities rather than strictly focusing on getting a particular job done. In addition, global managers must begin to build-up a level of knowledge, awareness and negotiation skills as soon as they enter the company. These skills can be acquired by managing a group that has multicultural membership and has responsibility for scanning the external environment in the various countries in which they operate. Furthermore, Callahan (1989:10) suggests that these skills will become critical for fast-track managers destined for company leadership.

Managers need to focus on the concrete realities of doing business in the global marketplace. Global managers need to have inter-cultural negotiation skills: for example, negotiating with Japanese organisations require very different skills than negotiating with Arabs organisations. Slovaks differ from Czechs, Quebecois from British Columbians and so on. Global managers need the ability to read different markets in different cultural contexts and to have the ability to understand comparative with some sympathy politics.

Global managers can cope with difficult and unusual problems if they understand the cultural framework within which markets are constructed and promoted as a means of economic organisation. To become a manager who thinks globally one must go through two educational processes. The first is concerned with conceptual and strategic issues which require the communication of knowledge about the nature of the global economy. This demands an understanding of trends and critical issues that recur in the process of contemporary global management. The second process is skill-based and draws on the more conventional methods of management education such as case studies. Global managers must acquire inter-cultural sensitivity and a global value system, which case studies can provide (De Wilde, 1991: 41).

Marquardt and Engel (1993) acknowledge that global managers should not think that their way is the only way to do things. They should learn as much as they can about other cultures before taking a foreign assignment. Understanding target cultures can provide global managers with reference points, case studies resources, and cultural values, all of which can make HRD programmes more relevant and effective. Knowing the language of a country demonstrates interest in the culture and also helps managers understand the world view of the people with whom they will be working. Global managers must also

explore new information in order to work effectively in other cultures. There is a need to understand the thinking and behaviour of customers and competitors around the world and to be aware of the strategic dimensions of the business in which you are working (Marquardt and Engel, 1993: 60-65).

According to Torbiorn (1982) the ability to adapt oneself to new cultures is the main criterion for successful overseas assignments. So, cultural preparation is necessary because functional ability alone does not lead to success. As Dowling et al. (1994: 126) point out, "A major objective of inter-cultural training is to help people cope with unexpected events in a new culture." In addition to culture, Torbiorn stresses the specific qualifications needed for the job: medical status, knowledge of language, motivation, family adaptability, level of education, social manners and the status attached to the job by the host-country nationals.

Global managers should become thoroughly familiar with the new culture and "begin to develop behavioural strategies of their own." (Marquardt and Engel, 1993: 63) For example, visitors to the Middle East must learn to avoid showing the soles of their shoes when seated. Subordinates must avert their eyes when speaking to business superiors in Japan. It is necessary to provide plenty of detail when solving problems in Germany (Caudron, 1991). If the HRD professional does not already possess the relevant skills and competencies in his or her own culture they are unlikely to be able to develop a learning climate in an international context: the design of training programmes, provision of career counselling, creation of organisational change and the adaptation of learning materials. Domestic shortcomings will inevitably be magnified in other cultures. HRD professionals must be able to diagnose learning needs, identify sources of education, while updating and expanding technical, managerial and interpersonal skills (Marquardt and Engel, 1993).

According to Barnum and Gaster (1991) managers and their organisations can be helped to move from a national to a global perspective by applying certain principles. They divide these principles into three areas: perception, vision, and communication. Improving a manager's perception will enhance his/her ability:

- to think systematically, and to know how culture influences every aspect of doing business;
- to organise and manage massive amounts of information;
- to analyse and apply the data using different cultural lenses: “this allows you to satisfy that old adage: Think global, act local.” (Barnum and Gaster, 1991: 19)

Global vision demands the awareness of market opportunities. This requires high communication skills of the skills. A global vision cannot be identified without good communication skills, especially with regard to management skills. The global manager's communicative ability should inspire and motivate others to get on board.

Barham and Devine (1990: 69) indicate there are several characteristics associated with an international manager (See Table 3.3). To answer the question; “What are the requisite competencies of the international manager?”, the Ashridge survey produced the following:

Table 3.3 Key Characteristics of the International Manager
(Percentage of respondents who ranked a characteristic as among the five most important)

	PERCENT
Strategic awareness	71
Adaptability to new situations	67
Sensitivity to different cultures	60
Ability to work in international teams	56
Language skills	46
Understanding international marketing	46
Relationship skills	40
International negotiation skills	38
Self-reliance	27
High task-orientation	19
Open, non-judgmental, personality	19
Understanding international finance	13

Source: Barham and Devine, 1991.

Hence, the most important attribute required by international managers is strategic awareness. The key questions that managers should ask are:

Where is the business going?

Do we have sustainable competitive advantages in our business? If not, what could they be and how do we get them?

Strategic awareness calls for managers who can physically operate across national boundaries as well as individuals who travel mentally by understanding the international implications of their work. Companies need to develop both kinds of international capability (Barham & Oates, 1991:68-9).

The importance of linguistic competence is frequently under-emphasised in English-speaking countries partly because it is a difficult competence to acquire and it is an easy excuse to say that English is the language of international business (Torrington, 1994). However, speaking English may no longer be enough in the international arena as buyers

increasingly seek to do business in their own language. As an example, Japanese and Koreans show increased determination to speak the language of their customers.

Learning a language is best done in conjunction with getting to know the culture, customs and taboos of the country in which business is to be conducted. This makes language learning much less tedious and mechanical and adds the essential dimension of cultural awareness to the knowledge of the language. It may also be necessary for other members of the organisation to have a sensitivity to the culture or country they are going to visit or whose nationals are visiting them without necessarily learning the language (Torrington, 1994). Such skills are best acquired earlier rather than later:

It is important to make people aware of cultural differences at an early stage in their careers, rather than throwing lots of information at them just before they are due to leave the country and have a hundred and one other things on their minds. (Barham, 1991: 12)

Apart from language and cultural sensitivity, the other aspects of competence required in the international organisation will be for each business to decide itself (Torrington, 1994: 99). Of course, in certain countries individuals need qualities peculiarly adapted to the demands of the particular environments, and careful attention should be paid to those unique demands (Copeland and Griggs, 1988: 52).

Barham and Devine (1991: 33) identify a number of helpful practices in this respect. With the frequency with which the organisations sampled use them, Barham and Devine's research found the following actions to be beneficial to those being considered for a foreign assignment (See Table 3.4).

Table 3.4 Preparing Managers for International Postings
(Percentage of respondents ranking an activity as among the five most important methods in their organisation)

	PERCENT
Arranging for managers to visit host country	79
Language training for managers	73
Briefing by host country managers	67
In-house general management course	44
Cross-cultural training for managers	42
Cross-cultural training for the family	38
General management course of business school	29
Language training for the family	23
Training in negotiating within business norms of host country	17

Source: Barham and Devine, 1991.

Gertsen's (1990) survey of personnel managers in eighty Danish companies confirms that companies give most attention to language preparation and providing a preliminary visit to the country in question. As Barham and Devine's list in the above table indicates, though, training can vary considerably in depth (Hendry, 1992: 61). Views differ, however, about the value of training, especially the utility of cross-cultural training in advance advocates (See for example, Brislin, 1981 and Landis and Brislin, 1983). But top management generally do not see it as necessary, believing that learning cannot really occur until the person is in position abroad (Mendenhall and Oddou, 1985; Schwind, 1985; Gertsen, 1990; Hendry, 1992). This parallels the wider debate about the value of pre-training versus on-the-job learning. Derr and Oddou (1991), in a sample of 135 individuals, mainly from the US electronics, banking, and defence industries, for instance, found that over 65

percent had no training at all in preparation, while one third simply received reading materials.

3.9 MODEL FOR DEVELOPING GLOBAL MANAGERS

When managers decide to expand their business beyond the domestic market the organisation must focus on the competencies needed to develop global managers. Looking at the increasing amount of competition in the global marketplace, managers considering entering the global environment must determine if existing MD programmes are adequate. They need to determine to what extent they will meet current needs and those of the future.

Literature concerning HRM and HRD was critically analysed from a domestic and global perspective. Despite the wealth of research in these areas there remains no overall model or theory that fully describes and integrates the obvious relationships that prevail. For example, although Barham and Wills (1992) very usefully add necessary competencies in language and cultural sensitivity. However, they did not develop to the extent that it embraces the obvious implications for effective international management. Lynch and Kordis (1991) indicate the importance of HRD, but they do not mention the potential links between HRD and HRM which make the organisation more effective. So, one benefit of a model is that it shows the inter-relatedness of activities that are often treated separately in the literature.

There would seem to be at least enough research to construct a model of the international managerial competencies that would guide an organisation expanding from the domestic to the global marketplace. This section presents a synthesis of existing research pertinent to this field in a model which is illustrated in figure 3.1. It distinguishes carefully between

those factors weighing on the strategic manager and the actual response. A response more often than not delegated by the HRM manager to the HRD manager for execution. The model has many components, namely: 1. upper management, 2. middle management.

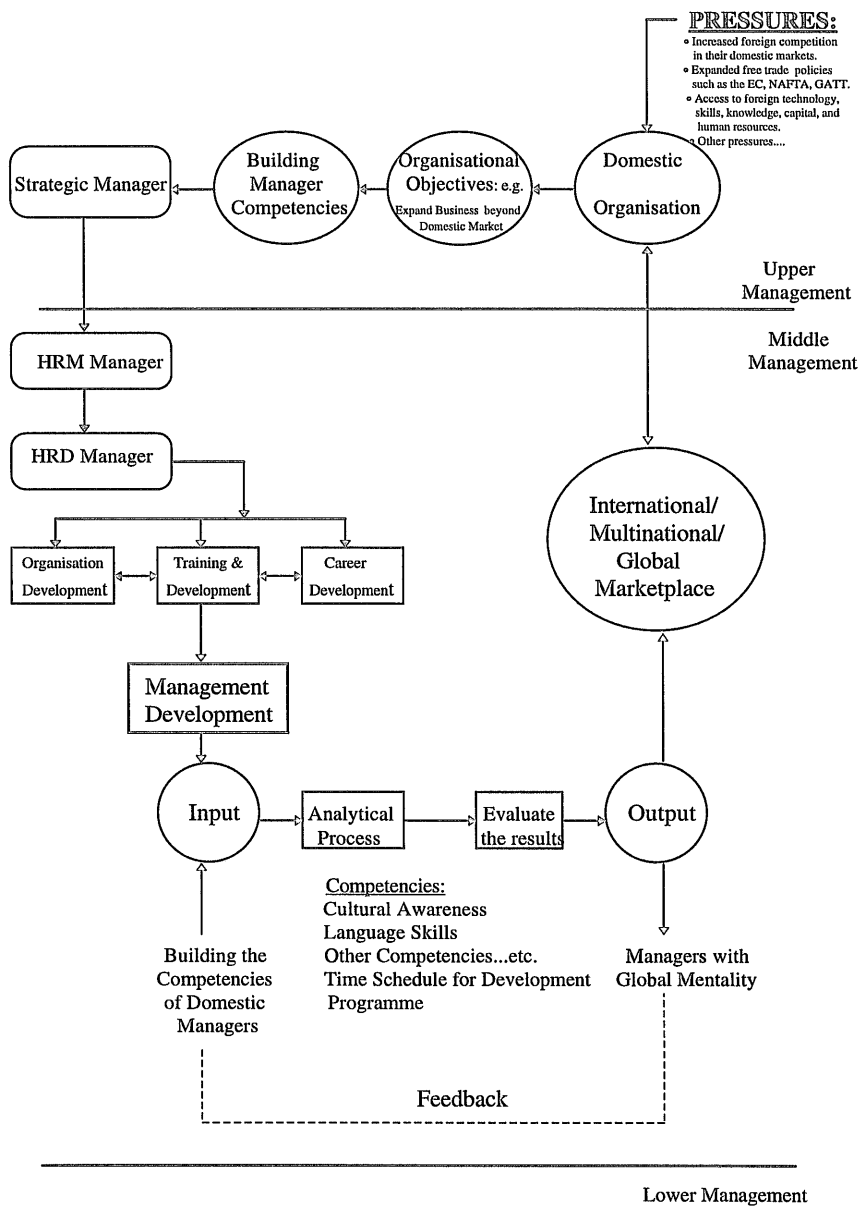


Figure 3.1 A Model for Developing Global Managers

As discussed in Chapter 2, there are a number of external forces that have contributed to the need for business and industry to consider entering the global marketplace. As stated by Moran and Stripp (1991), and Al-Qahtany (1994), these external forces include foreign competition in domestic markets. Because increasing numbers of companies are marketing the same or similar products to the domestic market, companies that have been selling in a domestic market only have had to look for new markets for growth, expansion, and profits. A number of factors have contributed to the growth of the global marketplace. Examples are expanded free trade policies such as the European Common Market, the North American Free Trade Agreement, and the General Agreement on Tariffs on Trade. Technology has also played a major role that has motivated many companies to expand into foreign markets. With improved telecommunication systems, it is an easier task to conduct business from any location in the world.

European Community (EC) is an excellent example as it promotes free trade between member states. Initiatives at the EC level in the fields of industry policy and investment have so far remained very limited. Only in matters of trade have community-wide policies been extensively implemented and even here considerable internal strains and tensions have persisted. The EC operates preferential trading arrangements with certain groups of developing countries. It allows free entry, at least in theory, of manufactured goods from the African, Caribbean and Pacific nations, but in practice only commodities and agricultural products are treated this way (Dicken, 1992: 165).

The North American Free Trade Agreement (NAFTA) is a regional agreement between Mexico, the United States, and Canada. The objectives were, by 1998, to eliminate trade barriers among the three nations, which would allow business and industry of each nation to have access to larger markets. These agreements have been viewed as discriminatory in nature primarily due to the finalisation of the General Agreement on Trade and Tariffs (GATT). GATT allows for the creation of free trade areas and customs unions with certain specified provisos. Most of the trading blocks have a strong defensive character. They represent an attempt to gain advantages in trade by creating large markets for their producers and protecting them at least partly from outside influence (Dicken, 1992: 161).

GATT is a trade policy set within an international institutional framework with the objective to reduce tariffs, prohibit quantitative restrictions, and other non-tariff barriers to trade. Added to this is the elimination of trade discrimination. It is based on reciprocity and non-discrimination between nations. A central element is the “most favoured nation” principle by which a trade concession negotiated between two countries is also applied to other countries. Today more than one hundred nations belong to GATT with others applying for membership (Dicken, 1992: 151).

The Uruguay round finalised GATT negotiations between participating nations in 1994. At the time, governments promised to create a new, more powerful, institution that would replace GATT. The World Trade Organisation (WTO) was planned to be implemented in January of 1995. The WTO’s priority was to resolve differences between nations in the

area of negotiations over financial services, telecommunications, shipping and other service businesses (The Economist, 1994: 16).

Trade agreements are leading to a world market without barriers or protectionist policies. As a result, trade has increased, giving business and industry greater opportunities to venture into the global market with fewer limitations. In time, it is expected that nations will reduce or eliminate protectionist policies that will enable all countries to trade in an open market system.

Management in many companies have given consideration to doing business in the global marketplace for better utilisation of personnel, lower labour and transportation costs, new markets for products (providing a longer life cycle), and greater opportunities for increased profit. Top management view the global marketplace as an opportunity to diversify risk, obtain foreign capital and tax advantages, that a foreign country offers.

As can be seen, the global marketplace offers many opportunities that make it attractive. However, before a decision can be made to enter this market, management must look at the capabilities of the organisation and personnel to determine whether a new theory of business can be supported. A model for assisting managers to identify those factors necessary to be successful in such a market is shown in Figure 3.1. The model for developing strategies for entrance into the global marketplace focuses on the role of upper management and middle management.

A. UPPER MANAGEMENT

Upper management determines the mission, goals and objectives of the company. They are also responsible for designing policies and procedures that are to be followed to achieve the goals and objectives. Their greatest responsibility is in making decisions that affect the organisation as a whole. Managers of domestic enterprises make decisions relative to that market and the selection of strategies that will enable the company to be competitive in the marketplace. Upper level managers in global enterprises are those that have developed a global mindset, and see the potential of making a change in their theory of business.

1. Domestic Organisation

A domestic organisation is an enterprise that operates solely within one country, using domestic suppliers and producing and marketing services and products to customers at home. Management of domestic companies are not concerned about the global marketplace. For some, participation in the market is limited to an occasional export. When consideration is given to pursuing the global marketplace, one of the first tasks of management is to identify the products being produced and foreign market potential of each product.

2. Organisation Objective

The global organisation is an extension of a domestic market. The objective of entering the market is to gain access to the best market with the highest quality product at the

lowest cost in order to be competitive in a new environment. The objective of the global enterprise is to reach and penetrate marketplaces before local or international competitors are equipped to exploit the opportunities. As a result, speed and flexibility, as well as organisation resiliency become key factors. Expansion beyond the domestic market demands that the organisation be strong enough to support the additional pressures demanded of the market, and that there is sufficient capital to support the venture, along with highly qualified personnel.

3. Building Manager Competencies

Global managers must successfully manage complexity and be able to conceptually understand the organisation's weaknesses as well as strengths. Managers must be flexible and put into place the values, norms, systems, and procedures that translate strategic intent into corporate culture and organisational operations. To ensure that global strategy is fully implemented requires alignment of the organisation's culture and the people in the organisation. Aligning people requires sensitivity and good judgement (Rhinesmith, 1993: 35).

4. Strategic Manager

Success in the global marketplace demands highly specialised managers, those that have a complete understanding of the organisation as it sits in the domestic market, and its capabilities of entering the global marketplace. It is the strategic manager that is responsible for guiding the organisation on the right path that will result in a structure that not only can support a global venture, but can integrate it effectively throughout the entire organisation. The strategic manager is responsible for furthering the company's global

scale efficiency and competitiveness. This task requires not only the perspective to recognise opportunities and risks across national and functional boundaries but also the skill to co-ordinate activities and link capabilities across those barriers. The strategic manager's overall goal is to capture the full benefit of integrated world-wide operations (Bartlett and Ghoshal, 1992: 125).

B. MIDDLE MANAGEMENT

There is no single model for middle management in the global environment. Neither the old line international specialist nor the more recent global generalist can cope with the complexities of cross border strategies. Today's marketplace calls for managers with diverse skills. Those in middle management need well defined responsibilities, a clear understanding of their organisation's global mission, and a sense of accountability (Bartlett and Ghoshal, 1992: 131).

1. Human Resource Manager

The primary task of the manager of human resources is to improve the match between individuals and jobs. The quality of this match influences job performance, employee satisfaction, and employee turnover. Consequently, HRM is concerned with the selection and training of new employees, appraisal of employee performance, the assessment of employees' promotion potential, and recruitment and personnel planning for the future. HRM is also highly involved in wage and salary administration, labour negotiations, job

design and employee morale. HRM managers should also be knowledgeable in job analysis, set job descriptions, and salaries commensurate for each position. The human resource manager works closely with top management in the planning for human resources to support short and long range objectives (Wheelen, 1989).

2. HRD Manager

The organisation position of the HRD manager can be found either as a separate department at the same level in the structure as HRM, or as part of HRM. The difference between the two functions is that HRD is not concerned with the day to day personnel functions performed by HRM. According to Drucker, management and manager development deal with the skills people need. They deal with the structure of jobs and of management relations. They deal with what an employee needs to learn to make his skills effective. They are involved with designing and implementing training programmes to increase a manager's skill at managing, or to train individuals to become managers. MD today is not viewed as being a luxury, one that only large companies can afford, they are a necessity because the modern business enterprise has become a basic institution of society. In any major institution, finding, developing, and educating leaders is an essential job to which the best men give fully of their time and attention (Digman, 1986: 231). HRD is responsive for organisation, training and career development. Therefore, HRD systems need to be sensitive to internal as well as external demands (environment, individual careers, organisational concerns of efficiency).

3. Organisation Development (OD)

OD was designed as a model for identifying problems and changes needed in the organisation. OD is defined as a planned change approach to improve an organisation's ability to cope with change in its external environment, and increase its internal problem solving capabilities. Stated differently, OD is a comprehensive approach to improving the overall effectiveness and health of an organisation by making changes in the operations of its component systems. Because change is one of the most difficult aspects of management, OD practitioners provide the expertise required not only for identifying changes that need to be made, but also assist in implementation of the change process. The major benefit of OD is that it is a planned change process, and an intervention strategy that recognises change is an ongoing process (Schermerhorn et al., 1988: 524).

4. Training and Development

T&D is part of the OD process and includes management training for the purpose of developing managerial skills and capabilities. Training programmes also are designed to retrain individuals for a job change, and in the case of expatriates and returning global managers for re-entry into the organisation. A global organisation that does not adjust its culture, policies, and procedures to deal with re-entry problems will never have a talented and adequate cadre of global managers. All training programmes are for the purpose of supporting any planned organisation change whether the change be of major proportion, or just one or two individuals (Schermerhorn et al., 1988).

5. Career Development

Another responsibility of HRD is career development. Career development can be defined in several ways - that which the individual wants to achieve in his or her working career, and the development of human potential to achieve organisation goals. In most cases it is believed that the two should go hand in hand - for the benefit of the employee and at the same time for the benefit of the company. Once management has identified the talent of individuals, they have a duty to develop it. They must provide opportunities for achievement that allow business, country, and functional managers to handle negotiations in a world-wide context. A company's ability to identify individuals with potential, legitimise their diversity, and integrate them into the organisation's decisions, is the single clearest indicator that the organisation leaders are truly global, and that they have recognised the ability of individuals that will ensure the achievement of company goals and objectives (Bartlett and Ghoshal, 1992: 132).

In order to retain highly qualified individuals, top management needs to identify those in the organisation with the potential for developing the skills and perspectives demanded of global managers, management must also learn whether or not a foreign assignment is within the individual's career goals. The purpose is to identify individual career goals that will contribute to the goals and objectives of the organisation.

Recognising that employees have career goals and working with that individual to achieve these goals can have far reaching implications for the designing of human resource

practices in the organisation. Schneier (1986) spoke of the need for total systems capable of identifying, developing and managing human resources throughout the entire career cycle. These total systems for human resource planning and development would include methods for linking various organisational and personnel functions such as strategic planning, human resource planning, performance appraisal, personnel assessment, and career planning in ways that facilitate the matching of organisation and individual needs over time (Von Glinow et al., 1986: 64). The importance of this strategy, along with MD is the retention of highly qualified professionals that the organisation needs if it is to be successful in the global marketplace.

As can be seen, the role of HRM and HRD are vital to an organisation's success whenever changes are to be made, and particularly when consideration is being given to entering the global marketplace. Kramm and Kramm (1988) stated that when HRD is positioned to make the organisation more competitive, training plans become more relevant, useful and essential for organisational success. In the case of globalisation, the main focus of HRD must be to prepare men and women to serve in foreign assignments while at the same time, training support personnel at the home office to work with them so that the foreign venture is fully integrated into the organisation's structure and therefore receives full top management support as well as support from the organisation as a whole.

The model, shown in Figure 3.1, identifies the relationships between upper and middle management, and the role of HRM, with specific focus on HRD and all that it entails. The model visually displays the interrelationship of each of the factors involved, beginning with

the responsibilities of upper management. HRM and HRD have the responsibility for selecting and training those to serve in this new environment, and to make sure that they are fully trained in the essentials that will give them a greater opportunity for success rather than failure. To be fully effective, HRM and HRD must work together (whether one department or two) to identify the organisation's needs, and finding ways to meet these needs in the most efficient, least time consuming and less costly manner possible. This model will be discussed in more detail in Chapter 9.

6. Management Development

MD is a broad term as it includes the training of management in many different ways. Examples include: on-the-job coaching, counselling, classroom training, job rotation, planned experience, and assignments to understudy positions. Any one of these efforts is not in itself MD, but a development technique. Actual development occurs on the job and by those techniques that are relevant to the job in question (Digman, 1986).

MD programmes for those that will serve in the global marketplace must include core competencies such as language skills, knowledge of the company, its products, way of doing business, and a thorough knowledge of the culture, marketing, economics, government, etc., relative to the geographic area in which he or she will be located. This training is essential for every global manager as he or she plays a pivotal role not only in meeting local customer needs but also in satisfying the host government's requirements, and defending their company's market position against local and external competitors. For this reason, managers need to be trained to have flexibility in their operations so that

changes can be made at the time they need to be made so that the company's goals and objectives will be met (Bartlett and Ghoshal, 1992: 128).

Rhinesmith (1993) indicates that one of the most important types of training for those being assigned to foreign positions is that of cross cultural management. Managing multicultural teams of different nationalities is not a simple matter. Different countries have completely different expectations concerning leadership, communications, coaching, appraising, and decision making, not to mention different patterns of thinking, which affect problem solving preferences and many other more subtle aspects of organisational life. This takes on increasing importance as the organisation expands into the global marketplace in a number of different countries where each has its culture and way of conducting business. Most literature emphasises the need for cultural and language training as the two go hand in hand. Such training is not only required by those assigned to a foreign destination, but to the individual's family as well. Rhinesmith (1993: 176) also suggests that all managers required to interact with foreign counterparts, customers, or suppliers, should also have cross cultural and language training.

On a national level, those involved with the business being conducted in a foreign environment, whether based in the foreign country or at the company's headquarters, should have some understanding of social and economic development policies, the relationship between trade, export, industrial, and agricultural development policy; and currency, taxation, and banking is important in understanding the context in which the

business is or will be operating. Most countries are far more centralised in their economic and industrial policy than western countries and this affects governmental attitudes and regulations and regulatory agencies in their approach to foreign trade and investment (Rhinesmith, 1993: 176). This knowledge can contribute significantly to the organisation's success in a foreign environment.

As can be seen, the lower section of the model is based on the principles of systems theory, which equates an organisation to a living organism that reacts and adapts to external and internal factors or pressures in order to survive. Systems theory, first developed by Barnard (1938) uses the concept of inputs, (for example, labour, materials and capital) that, through a transformation process known as "throughput", turns these inputs into outputs (for example, finished goods/services, waste products and profit). Central to system theory is the concept of "feedback", which monitors the relationship between input and output and how they interact together, and making the necessary adjustments to maintain control over the process (Barnard, 1938; Parsons, 1951; Trist and Bamforth, 1951; Lawrence and Lorsch, 1967).

The model shows that inputs from management development come from the strategic planning process which determine future management competencies for the organisation in preparation for globalisation. Entering the global marketplace, for example, requires training programmes that will prepare and develop managers to work in a foreign environment, and also identify those domestic managers that will need training to function effectively in the global markets. The goal is to build the core competencies needed by

global managers who will be able to operate in a multicultural business environment in order to achieve organisational objectives.

The needs of the strategic plan sets forth the type of competencies that will be needed by those in the organisation whose task is to prepare for a foreign assignment, and also those in the organisation that will serve as support groups for the foreign markets back at the head office. These core competencies will include: cultural awareness, a study of the country, its government, economy, and culture as well as other competencies according to the organisation. The new manager should also be aware of traditions followed, management styles, the marketplace, type of advertising done, and other types of promotions prevalent in the host country. Most important is to identify those activities and actions that are viewed as being in bad taste, so that the manager will not commit any acts that would offend his/her host. Language skills are also vital to a foreign assignment. Managers being given a foreign assignment should be able to speak the language at least fluently before embarkation. This is necessary as it will not only allow for good communication between management and employees, but outside contacts as well. Language programmes should also be provided to the manager's family if they are to accompany him/her on the move.

Once the programmes are designed they should be reviewed by consultants with experience working with foreign markets to determine whether they are sufficient in providing managers with sufficient knowledge so that they will be well prepared before

leaving the country. It is essential that a time schedule for the development programme is drawn up before training begins. For example, language skills cannot be learned in a short time so allocating two weeks for this will be inadequate. It is important that top management realise that certain skills and competencies take time to acquire while others may take just a few weeks and any development programme must take time constraints into account when training managers for overseas assignments. Time limitations may apply not only to training, but also the organisation will have a timetable of its own for entering the global marketplace. If the organisation is ready to enter the global markets but its managers are still not prepared, then considerable time, money and resources will be lost in awaiting the manager's readiness. It is therefore essential that an organisation trains and prepares its managers before it enters the global environment.

After the first time the programmes are presented, a survey should be taken to determine if the programme educated managers sufficiently that they felt confident going to a foreign country. A survey should always be taken as soon as practicable following the manager's assignment to a foreign position to identify any weaknesses in the programmes that (s)he had undergone, so that changes can be made to the programmes before another group of managers start training. The most important aspect of the programmes should be to give the manager sufficient knowledge about his/her assignment so that (s)he will have confidence in his ability, and be able to meet the expectations of the company. It is here that the feedback loops play an important role in determining the success (or failure) of the training and development programmes.

The output should result in managers with global mentality, the ability to work effectively and having the necessary competencies needed for the global marketplace. The output can only be measured by feedback from those who are working in a foreign environment and those working at the home office that will be supporting those in foreign offices. In time, the programmes should be improved and strengthened so that the manager will be prepared to handle any eventuality that (s)he may encounter working in a foreign environment.

3.10 SUMMARY

Today's organisations and managers face a future of unprecedented change. HRD is positioned to assist the organisation to be more competitive, make training programmes more relevant, and to provide the skills necessary for organisational success (Kramm and Kramm, 1988: 88). HRD helps employers and employees to always be working in the future and to always be prepared to meet the challenges of the times in which we live. At present, there is a lack of rigorously tested conceptual models and longitudinal studies, both necessary to develop substantial theoretical knowledge. Until these areas are addressed, IHRM will remain in its infant state.

Chapter 4, reviews the Saudi Arabian economy, business environment and management strategies. A brief review is provided of the growth and development of the Kingdom primarily since the discovery of oil. Emphasis is placed on the industrial development of the Kingdom, indicating that such development has placed many businesses and industries

in the position where they can and should consider entering the global marketplace. This is supported by the fact that industrial cities have been established, and increasing responsibility has been placed on the private sector to reduce the Kingdom's dependency on oil as the major source of revenue.

The Kingdom has made great strides in industrialisation within the past decade. One of the continuing problems has been the dependence on expatriate personnel to support the growth of business and industry. A plan to educate and train Saudi nationals has been implemented to minimise this dependence, while at the same time, promoting growth of the private sector throughout the Kingdom. These trends support the view that at the current stage of development, for future growth, business and industry must look to the global marketplace if they are to maintain their position in the economy of the Kingdom.

NOTES

1. The Ashridge survey, reported by Barham and Devine (1991: 27) identifies the most important criteria for choosing managers for international postings. Furthermore, Barham and Devine (1991: 28) identify most constraints that companies might face in giving managers international experience.

2. An important area of concern focused on in the IHRM literature is that of expatriate 'failure' which is defined as the premature return of an expatriate manager: that is, a return to the home country before the period of assignment is completed (Tung, 1987; Al-Qahtany, Apr., 1995b). Such failure represents a false positive selection error and perhaps can be interpreted as an outcome of poor expatriate management policies (Wlech, 1990). However, given the costs of expatriate failure, selecting the right people for overseas assignments is important. What emerges from the literature is that certain traits and characteristics of a potential candidate have been identified as predictors of expatriate success, but without them, the possibility of failure is enhanced. These traits or characteristics are: technical ability, managerial skills, cultural empathy, adaptability, diplomacy, language ability, positive attitude, emotional stability and maturity, and adaptability of family (Willis, 1984; Harvey, 1985; Von Glinow et al., 1986; Heller, 1989; Phatak, 1989; Barham and Devine, 1991; Hendry, 1992; Dowling, 1994; Preston and Jones, 1995; Al-Qahtany July, 1995). According to Welch (1990), while managerial or technical competence is regarded as the primary competence for expatriate success, effectiveness and coping skills are also required. Effectiveness skills are defined as the ability to successfully translate the managerial or technical skills into the foreign environment, whereas coping skills enable a person to become reasonably comfortable or at least survive in a foreign environment.

3. Expatriate selection criteria remain problematical. Predictors of success have been identified but it remains unclear as to how these should be measured. Part of the problem is the design of an appropriate test, but other factors are involved. One factor is time. Expatriates are often selected quickly to staff unexpected overseas vacancies, and this does not allow for a lengthy screening process (Mendenhall et al., 1987 and Welch, 1990). Another factor is that different priorities are placed on appropriate criteria by the people involved. For example, headquarters may place greater emphasis on experience, the individual on family adjustment (Zeira and Banai, 1987).

CHAPTER 4

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CHAPTER 4 SAUDI ARABIAN ECONOMY, BUSINESS ENVIRONMENT AND MANAGEMENT

4.1 INTRODUCTION

The Kingdom of Saudi Arabia was selected as a case study for this research to serve as an example of a nation that has experienced tremendous growth, and has achieved the point in time when industrialisation is producing a surplus. There is a need to look to the global marketplace for growth and profitability. For many decades, the Kingdom has been referred to as a developing country. However, the industrial growth of the private sector indicates that many companies are capable of marketing in a larger market and making a greater contribution to the economy of the nation. It is also time for Saudi Arabia to play a major role in the global marketplace because it has the capacity to do so. Further, expansion into the larger market will lessen the Kingdom's dependence on oil for revenues. Although Saudi Arabia has large oil reserves, this is a depleting resource which necessitates looking for other strategies that will allow the government to provide for the needs of the people, and the people to have a high standard of living.

The purpose of this chapter is to provide a brief background of the country focusing on the modernisation and development since the discovery of oil. Emphasis is placed on view that for future growth and development, companies will have little or no choice but to look to

the larger markets which requires an understanding of the market and preparation of manager if the company is to have a competitive advantage.

4.2 BACKGROUND

When Abd al Aziz ibn Abd ar Rahman Al Saud established the Kingdom of Saudi Arabia, foreign governments regarded the event as a minor curiosity. The general view of the new state was an empty desert region ruled by a warrior family whose members were followers of the religion of Islam. Within four decades, the country has become the object of intense international interest and its leaders are acknowledged as playing an important role in world affairs and international trade (Al-Farsy, 1990: 19).

In 1933, a discovery of enormous political and economic significance was made. A survey of the new Kingdom's natural resources, commissioned by the King, confirmed the existence of oil in the Eastern Province. By 1938, the exploration of these oil fields, which contain approximately 25 percent of the world's proven oil resources, began. Before the discovery of oil, trade was on a small scale, limited to camel caravans. Production was at a subsistence level, mostly for small markets. The main source of national income was from pilgrimages to the holy city of Makkah (Al-Farsy, 1990; El-Naiem, 1980; Kaikati, 1976).

4.3 ECONOMIC DEVELOPMENT

The Kingdom gained world-wide attention when oil was discovered in 1938. World War II hampered the expansion of production and export facilities. It was not until the late 1940s

that oil was in full production. Under the direction of the Arabian American Oil Company, oil became the nation's major source of revenues allowing for modernisation and development of the country that had not been possible in the past (Nyrop, 1982: 1-5). Although Saudi Arabia has the largest oil reserves in the world, the government recognised them as a resource. To lessen dependence on oil as the major revenue source, the nation has looked to industry to not only be self-sufficient, but to also play a larger role in the economic growth of the kingdom. The pace of industrialisation began to accelerate in the 1960s. The average rate of growth of manufacturing, excluding oil refining and construction, was over 11 percent annually from the early 1960s to the mid 1970s (Nyrop, 1982: 297). In order to plan and give direction to the Kingdom's economic growth, a series of Five-Year Development Plans (1970-1995) were implemented.

4.3.1 THE FIRST FIVE-YEAR DEVELOPMENT PLAN (1970-1975)

Given the primitive state of the economy at the inception of the First Plan, the emphasis was placed on developing the basic infrastructure and expanding social services. Nevertheless, the plan was comprehensive insofar as projects to promote growth in all sectors of the economy were planned with the objective to raise the standard of living of the Saudis. The budget allocated for the plan was set at Saudi Riyals (SR) SR 32.20 billion, 50 percent of which was allocated to specific projects. The objectives of the plan were essentially to aid the steady expansion of the economy, especially through the infrastructure, the improvement of government services, and the management of the economy through new administrative programmes. The plan also placed considerable

emphasis on the long-term objectives of developing the nation's human resources through large investments in education and training (Moliver and Abbondante, 1980).

4.3.2 THE SECOND FIVE-YEAR DEVELOPMENT PLAN (1975-1980)

In contrast to the First Development Plan, The Second Development Plan was formulated free of financial constraints. The concern at that time was the small absorptive capacity of the economy which became dominant both in the development strategy and in the management of the country's economy. Therefore, without the constraints which had been experienced during the First Plan, infrastructure in particular was given greater emphasis in the Second Plan (Al-Muajel, 1992). Conditions at the beginning of this plan were of course somewhat different in that the country's financial strength had become much more favourable. A total of SR 498 billion was allocated to this plan, of which some 46 percent was for physical infrastructure, social, and productive improvements. Moreover, the actual growth rate of the non-oil sector exceeded the projected rate. This indicated the plan was successful in diversifying the economy. However, during the Second Plan two problems occurred. First, there was a rapid increase in the need for foreign labour, due to the huge infrastructure projects that were being undertaken during the plan period, accompanied by a shortage of Saudi labour. Second, inflation resulted from the rapid increase in purchasing power and excess demand for goods and services at a time of and bringing about a supply shortage. Inflation was under control by the last year of the plan.

4.3.3 THE THIRD FIVE-YEAR DEVELOPMENT PLAN (1980-1985)

The first two plans concentrated mainly on developing the infrastructure of the country and increasing the absorptive capacity of the economy. The Third Plan's major objective was to promote structural change in the economy through emphasis on resource development and growth in the producing sectors. In addition, HRD received more attention in the plan due to the desire for skilled domestic labour to decrease the need for foreign labour in the country.

This plan provided for an expenditure of SR 783 billion, giving special priority to investment in the manufacturing, mining and agriculture sectors. The results of the plan were: (1) major physical constraints on development had been overcome; (2) the standard of living of most Saudis improved considerably; and (3) inflation had been brought under control. With these positive features, this plan made a major contribution towards diversification which was one of the dominant structural objectives of the wider economic development process. For example, during this plan, substantial growth in the agriculture sector was reported, and the establishment of the multi-billion petrochemical industrial cities of Al-Jubail and Yanbu (Loonely, 1982; Ministry of Commerce, 1983).

By 1985, the end of the Third Five Year Plan, roads, transport systems, ports, airports, communications, water, power generation, industrial facilities, food production, health, housing and education had all expanded. With the infrastructure in place, the private business and industrial sector was encouraged to become the keystone of the economy.

Both the state and private sectors were encouraged to diversify away from oil and raw material production into value added down line products and manufactures for the domestic, Gulf and overseas markets. To support the sector, training in high technology skills was given high priority so that local manpower would be available on the job market (The Kingdom of Saudi Arabia, 1990: 134).

4.3.4 THE FOURTH FIVE-YEAR DEVELOPMENT PLAN (1985-1990)

The objectives of this plan were basically in accordance with the main principles underlying the long-term goals, namely safeguarding Islamic values and traditions, and promoting the social and economic welfare of the people. Four broad themes characterised the fourth plan and differentiated it from its predecessors. The Saudi Arabian Monetary Agency (SAMA) summarised these as:

1. A greater concern with operational efficiency and in the use of resources.
2. A determination to reduce the dependence on the production and export of crude oil as the main source of income by intensifying efforts towards the diversification of the production and export base through increased emphasis on industry, agriculture and financial services.
3. A decision to reduce the number of unskilled foreign workers in the Kingdom by developing the indigenous manpower and upgrading and improving their efficiency.
4. A clear and definite emphasis on encouraging the Saudi private sector to become more involved in economic development.
5. A policy to achieve economic and social integration between the Arab Gulf Co-operation Council (GCC) countries (Ministry of Planning, 1985).

The plan called for an outlay of SR 1,000 billion, half of which was earmarked for development expenditure. SR 500 billion was distributed as follows:

SR 135.3 billion for HRD projects

SR 30.7 billion for the development of economic reserves

SR 89.7 billion for health and social services

SR 76.7 billion for transport and communications

SR 67.4 billion for municipalities and housing.

The Fourth Plan re-emphasised the importance of the long term goal of economic diversification to reduce the dependence of the economy on oil revenues. The results revealed the importance of government expenditures on the economy. The government budget deficit in 1986-87 amounted to SR 69 billion.

4.3.5 THE FIFTH FIVE-YEAR DEVELOPMENT PLAN (1990-1995)

At the beginning of the Fifth Development Plan the Saudi economy had entered a new stage in development, characterised by a different environment from that prevailing in earlier plans. Oil revenues were expected to grow at more moderate levels compared to the high levels experienced in the past, and there was a need to expand private sector economic activity to lessen dependence on government sector expenditures.

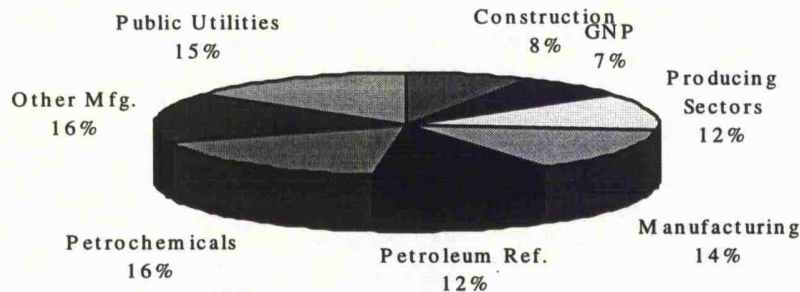
The primary objective of the Fifth Development Plan was to increase non-oil revenue sources to reduce the budget deficit and lessen the impact of volatile world oil markets on the government budget. The plan supports private sector activities to the national economy, particularly in the producing sectors. The plan also calls for strengthening the competitiveness of Saudi industry through measures that will enable producers to compete with imported goods in the domestic market and increase and broaden their penetration of export markets. Policies to increase productivity, such as improving the skill levels of the

labour force and introducing more advanced technologies, are a high priority in the Fifth Plan (The Fifth Development Plan, 1990-1995: 82).

The Fifth Five Year Plan considered industrial development to be the key component of the Kingdom's economic development strategy, contributing to many of its strategic objectives: higher Gross Domestic Product (GDP) growth rates, diversifying and expanding the production base developing non-oil sources of income, achieving an adequate level of self-sufficiency, generating job opportunities and developing a balanced economy that would better weather world economic fluctuations. Within this context, growth projections for the five year period are shown in Figure 4.1 (Ministry of Finance and National Economy, 1991: 29).

Figure 4.1 reflects the leading growth rates for industry and manufacturing. The growth rate was projected against an overall annual growth rate target of 3.2 percent for the entire economy and a rate of 5.6 percent for the aggregate producing sectors. The corresponding target growth rate for the aggregate manufacturing sector was 6.5 percent, with some of its constituent branches at higher targeted rates. It is important to note that the plan called for the private sector to play a pivotal role in achieving targeted growth rates. Almost 50 percent of the total value added at the general manufacturing level and 95 percent of the value added in non-oil manufacturing industries, in particular, were expected to be generated by the private sector. With the support of the Saudi Industrial Development Fund (SIDF), these projections are in line to be achieved by the end of the plan (Ministry of Finance and National Economy, 1991: 29).

Figure 4.1 Industrial Sector Growth



Source: Fifth Development Plan, 1990-1995

4.4 INDUSTRIAL DEVELOPMENT

The primary approach to industrial development relied on private enterprise. The General Petroleum and Mineral Organisation (Petromin) was established in 1962 as a government owned company to undertake development projects when private capital was insufficient or private sources were reluctant to invest. By the mid 1970s, private investors had become more active applying for an increasing number of licenses for industrial businesses. Government policies and inducements were partly responsible. The greatly improved transportation system and rising incomes of the population also contributed (Nyrop, 1982: 298).

In 1965 there were only 30 modern factories in the country. By 1975 there were over 700 producing a wide variety of goods, most of which were relatively simple products, or final assembly of the more complicated goods, but at least a manufacturing base was established

In the following decade, 1975-1985, the manufacturing sector grew at an average rate of over 15 percent per year, and the number of factories soared to about 2,000. This was the period of the infrastructure boom, and Saudi entrepreneurs swiftly established factories to produce building materials. This decade also saw the birth of a whole new world scale, export directed, petrochemical industry and an export refining industry (Forbes, 1989).

By 1983 a spiral welded pipe plant was producing some 120,000 tons annually. Another plant produced about 50,000 tons of copper wire and cable. A joint venture with the Daimler-Benz company was responsible for the assembly of trucks which supplied a large part of the Saudi truck market. Other large firms produced plastic pipe, refrigeration units, iron castings, sanitary fittings and aluminium products. Most employed simple technology that did not require highly skilled labour or sophisticated maintenance. By 1984, considerable expansion of manufacturing had been achieved. Most industrial plants were small, often little bigger than shops. They included bakeries, printing establishments, small factories turning out wood and metal products and furniture (Nyrop, 1982: 181).

The Saudi Arabian Basic Industries Corporation (SABIC) was established in 1975. Its purpose was to promote and develop basic, supplementary and supporting industries and prepare the national industrial sector to establish industries utilising the basic products so as to increase the participation of industry in the total production output (Internal Information Centre, 1991: 75). By 1985 eleven large petrochemical and steel factories were in full operation. More came on stream in 1988, four of which were billion dollar projects. Total

sales increased from under \$500 million in 1984 to over \$3.3 billion in 1988. The whole programme was achieved ahead of schedule and within budget (Forbes, 1989: 20).

Currently, Saudi manufacturing is undergoing some restructuring. The output value of the manufacturing sector declined between 1985 and 1987 due to lower prices of refined oil products and the decline in demand for construction materials. Other manufacturing activities did well. The industrial sector showed a growth of 1.9 percent in 1987 and 4.7 percent in 1988. Investment continued in factory start-ups, but at a slower rate than during the boom years. The same momentum could not have been sustained as many of the projects had been completed (Forbes 1989: 20).

The petroleum industry contributed significantly to the development of allied industries within the Kingdom. Once the gas produced in association with crude oil was simply burned as a waste product. Now it is being used as a source of methane gas which is invaluable to the large scale chemical plants of Jubail and Yanbu. Some of the gas is used for re-injection into the oil fields to maintain the pressure necessary for extracting oil. Large quantities are used in the sea water desalination plants. Several thousand megawatts of electric power are also generated from gas for direct consumption in the industrial complexes. Liquefied Petroleum Gas (LPG) is produced for domestic use as well as export, primarily to Japan (Stacey International, 1990: 182-83).

4.5 INDUSTRIAL CITIES

On September 9, 1975, a Royal Decree was issued establishing a Royal Commission for the development of two industrial cities, Jubail and Yanbu. The commission was given full responsibility for the planning, construction, operation and administration of all the facilities and utilities required to transform these cities into modern industrial sites. The commission was given an independent budget and special powers to enact administrative and financial laws and regulations (Ministry of Information, 1992: 119). These two cities are considered the cornerstones of the Kingdom's industrial sector. The industrial cities have attracted interest from foreign firms because of several advantages. In addition to providing well planned industrial facilities, Saudi Arabia has an abundance of oil and gas, a variety of minerals including iron ore, phosphate, gypsum, copper, and potash. Primary industries in operation are producing some 35 different petrochemical and mineral feed stocks.

The dream of the planners was to have a cities in which people could live and work, attend the mosques, have their children educated, and purchase food and other essential commodities. In other words, the city was to be self-contained providing the necessities for employees to encourage them to settle in the city (Ministry of Information, 1992: 118).

Yanbu is located on the Red Sea Coast near Yanbu al-Bahar. It is one of the points where pilgrims arrive and leave the Kingdom, and is also a fishing port. Jubail is located on the Arabian Gulf coast. The basic infrastructure included the construction of airports, seaports, public utilities, telecommunications, desalination plants, sea water cooling systems, storage

and handling facilities, bulk products, preparation of industrial sites for basic, secondary and ancillary industries, and the setting up of the necessary commercial facilities, schools, hospitals, and residences (A Guide to Industrial Investment, 1986: 42).

The task was a massive undertaking as the cities are located in areas where climatic conditions are poor and water supplies are limited. The area was covered with sand dunes. Large amounts of soil had to be brought in to make the land level before building could begin (Ministry of Information, 1992: 119). Jubail and Yanbu, were major steps taken by the government to encourage the private sector to invest in business and industry. The planning of these industrial cities represents the government's dedication to industrial expansion throughout the Kingdom.

4.5.1 JUBAIL

The main objective behind the construction of Jubail as an industrial city was to set up 19 core industries to operate under the capital concentration method at a cost of SR74 billion. These industries were envisaged to create 144,000 new jobs by the beginning of the next century. The major industries requiring high technology and large scale capital investment also have a high use of energy, an estimated \$4 billion in natural gas alone. They are supervised by the Saudi Basic Industries Corporation (SABIC). These industries include petrochemical plants, steel mills, aluminium, plastics, and fertiliser plants. These primary industries are supported by 136 secondary and 100 ancillary industries (Ministry of Information, 1992: 120).

Secondary and ancillary industries are defined as those which depend on the products of the primary industries. Ancillary industries are industries which supply some of the requirements of the primary and secondary industry. The private sector is a major participant in these industries. Private investors, both domestic and foreign, have established 144 factories. Another 33 are in the design or construction stage. The goal is to increase the number to 100 (Ministry of Information, 1992: 121-22).

To support the industries, an airport was built. It covers an area of 96 square miles and has been built to meet all the city's requirements, including air cargo and passenger services. The main runway is 2 ½ miles long, allowing it to be used by all existing wide bodied aircraft as well as future superwide body planes. In addition to the normal facilities, the airport also houses a civil defence and a training centre for all types of airport activities (Ministry of Information, 1992: 124).

The residential area of Jubail consists of eight major districts plus a number of open landscaped areas. The city is divided into a number of divisions each of which accommodates 2,500 residents and has its own mosque, schools, services and utilities. The residential area was built on the peninsula, separated from the industrial area by landscaped open spaces. In these areas are electrical plants and pumping stations linked to sewage treatment plants. The current population is 30,000. Future plans are based on the possibility that 375,000 people may live there by the year 2010 (Ministry of Information, 1992: 123).

4.5.1.1 KING FAHD INDUSTRIAL PORT

Jubail is supported by the King Fahd Industrial Port comparable to the port in Yanbu. This port lies at the northern tip of the five mile long industrial causeway. It comprises four seagoing terminals, 20 berths, two storage areas, service platforms, and a two mile tanker terminal for the unloading of oil refinery products. One berth has been set aside for chemical products, and there are separate terminals for iron ore, fertiliser, and sulphur exports. The port now handles over 50 million tons of bulk liquids plus ten million tons of other materials annually (Ministry of Information, 1992: 125).

4.5.2 YANBU

Yanbu was selected as an industrial city because for many years it had been a famous fishing port. It is located on the Red Sea. Developing the city at this location would allow import and export facilities on the Red Sea for easier access to other cities such as Jiddah, Makkah, and Medina. The plan of the Commission was to divide the city into main areas, together with facilities required by each area. The residential area is planned to accommodate 130,000 people in 14 districts, similar to that of Jubail.

Primary industries in Yanbu are petroleum based. They include: the Petromin refinery, the Aramco plant for the separation of liquefied natural gas, the Petromin Refinery Company, the Saudi Yanbu Petrochemicals Company and Aramco crude oil terminal. Secondary industries are also petroleum based. This reflects the use made of the country's national resources and the co-operation between government and the private sector in the

development of the country. Iron and steel products are used by the secondary industries to produce reinforced concrete steel bars, various kinds of nails, bolts, steel wire, rope, cast iron products, and many others. The derivatives are used by secondary industries to produce tyres, rubber products, solvents, insulation paints, polyester fibre, animal foodstuffs and plastics (Ministry of Information, 1992: 88).

4.5.2.1 KING FAHD INDUSTRIAL SEAPORT

The King Fahd Industrial Seaport is one of the Kingdom's major seaports. It is ten miles long with seven terminals and 25 quays. It can receive large oil tankers with capacities of up to 500,000 tons. The port includes general goods and container facilities, bulk materials terminals, chemicals and liquefied gas terminals, in addition to a terminal for the Petromin Refinery and another for the export refinery (Ministry of Information, 1992: 88).

4.5.2.2 THE EAST WEST PIPELINE

Following the rise in oil prices and increased demand, work began on a two pronged project. The first was a large scale network to gather and process natural gas in Jubail, and the second being the transport of part of this gas to Yanbu. It was decided that a pipeline should be built that crossed the Kingdom from the Straits of Hormuz to Yanbu, saving 3,550 miles of sailing around the peninsula for supplies to the growing petrochemicals industry at Yanbu. The initial flow of 1.85 million barrels per day on the six day journey would increase to 2.4 million barrels a day by 1987. Capacity now stands at 3.2 million bpd, with increases planned to 500 million bpd per day. At Yanbu tankers can be loaded in

36 hours. Eleven tanks store one million barrels each. The entire system is operated from a computerised room in Yanbu where refineries and petrochemical plants process much of the flow (Stacey International, 1992: 187).

4.6 INDUSTRIALISATION IN THE FUTURE

Industry was given a place of supreme importance in each of the Five Year Plans. The private sector received aid, support and encouragement from the government in order to maximise the opportunities for diversifying income resources and extending the bases of production. At the same time, this commitment will also make it possible for Saudi Arabia to play a larger role in the international marketplace. Foreign participation with the private sector continues to be the key to progress, to ensure technology transfer, sound management and efficient export marketing (Stacey International, 1990: 134).

The government of Saudi Arabia having recognised the importance of establishing industrial cities in order to concentrate industry in specific areas, accepted also to provide needed resources. Because Saudi Arabia is made up of primarily desert topography, the building of industrial cities can be regarded as one of the greatest technological accomplishments of modern man. All the utilities have been implemented, and desalination plants have been installed to provide needed water to the areas since natural water is not available, and the areas experience only small rainfalls each year.

The building of the industrial cities was viewed as a long range plan to promote Saudi Arabia into industrialisation while at the same time, utilising those resources of which there was an abundance. The success of Yanbu and Jubail has stimulated interest in developing other areas. As an example, Qasseem is currently under development. It will be completed by the end of the current five year plan, in 1995. A small industrial city has been established in Makkah. There are currently 15 factories in operation. Designs are in progress to build an industrial city in Medina, Asir, and Hail. Other areas currently being considered are Jouf, Tabuk and Arar, but the locations have not yet been determined (The Directory of Saudi Arabia Industries, 1989: 24).

With non-oil sector exports increasing, it is expected that by the year 2025 Saudi Arabia will be a major exporter in merchandise and services in the Middle East. The major portion of industrial development is taking place in the industrial cities. There is no doubt that these industrial cities will position Saudi Arabia as the largest industrial nation in the Middle East. At the present time they represent ten percent of the Gross National Product (GNP). This number is expected to increase in the future as more industrial cities are built.

4.7 THE PRIVATE SECTOR

Although the public sector in Saudi Arabia dominates overall economic activity, a fact which is the natural outcome of the enormous oil revenues accruing to the government, the private sector still operates under the conditions of a free market and relatively little government interference. The government always repeats its belief in a free economy and

each development plan has emphasised the government's commitment to behave in accordance with that principal.

The private sector encompasses all economic activity not performed by the government or government owned companies. It is estimated to account for about 77 percent of the value added in the production and service sectors, 58 percent of non-oil GDP, and 38 percent of total GDP in 1988 and 1989 (See Table 4.1 and 4.2). As shown in Table 4.2, the private sector's share of value added is projected to increase during the Fifth Plan by 0.3 percent in the production and service sectors, and by about three percent in both non-oil GDP and total GDP.

The Fifth Plan identifies four principal contributions to the long term objectives of the Kingdom that are expected to be fulfilled by the private sector. These include:

- Diversify the economy: The establishment of a wider range of vigorous and growing industries will depend upon private sector investment.
- Provide productive employment for the Saudi labour force: Over 95 percent of the employment growth will take place in the private sector.
- Deploy private capital in the economy: Private sector capital represents a very important under-utilised resource for the Kingdom, and the success of future economic development depends on inducing a much greater deployment of this resource.
- Strengthen the adaptive capacity of the economy: In all countries, successful adaptability is largely a characteristic of the private sector, in which the actions of a large number of

independent decision makers are based on their expectations and assessments of opportunities and risks (Summary of the Fifth Development Plan, 1990-1995: 31).

Table 4.1 Estimated GDP Contribution by the Private Sector (SR Billion in Constant 1990 Prices)

	Value Added 1990	Est. Private Share	Est. Private Sector Value Added	
			1989/90	1994/95
Producing Sectors	88.0	79.4	69.9	92.1
Agriculture	22.2	99.0	22.0	30.9
Mining	1.7	95.0	1.6	1.9
Manufacturing	33.1	48.6	16.1	22.9
Petroleum	17.9	18.0	3.2	4.2
Petrochemicals	4.9	63.0	3.1	4.6
Other	10.3	95.0	9.8	14.1
Electricity/Water	(0.8)	18.0	--	--
Construction	31.8	95.0	30.2	36.4
Service Sectors	82.8	74.9	62.0	74.0
Trade, Rest. Hotels	28.2	99.0	27.9	32.3
Transport/Com.	21.7	15.0	3.3	3.9
Finance/Ins/Rel Est.	23.0	95.0	21.9	28.1
Com/Pers Services	9.9	90.0	8.9	9.7
Non Oil Producing & Service Sectors	170.8	77.2	131.9	166.1
Government Services	576.2	--	--	--
Total Non-Oil Sectors	227.0	58.1	131.9	166.1
Crude Oil & Natural Gas	122.3	--	--	--
Gross Domestic Product	349.3	371.8	131.9	166.1

**Table 4.2 Estimated Private Sector Share Expressed as Value Added
(On the Base of 1989/1990 Prices)**

	Value Added (SR Billion)		Annual Average Real Growth %
	1989/90	1994/95	
Non-Oil Producing/ Service Sectors	170.8	214.2	4.6
Private Sector	131.9	166.1	4.7
Percent Priv. Sec.	77.2%	77.5%	
Non-Oil Sectors	227.0	272.6	3.7
Private Sector	131.9	166.1	4.7
Percent Priv. Sec.	58.1%	60.9%	
Gross Domestic Product			
Private Sector	349.3	409.2	3.2
Percent Priv. Sec.	37.8%	40.6%	

Note: Private sector shares of value added exclude the impact of potential privatisation.

Source: Summary of the Fifth Development Plan, 1990-1995, Ministry of Planning, pp. 32-33.

4.7.1 THE ROLE OF THE PRIVATE SECTOR

The importance of the private sector's role in the economy and in the broader development of the Kingdom has been a consistent feature of the past two decades. Initial leadership in economic development was provided by the government. This was amplified during the period when rising oil revenues permitted the rapid implementation of a broad range of economic development programs. The private sector played two major roles during these phases of development as a participant in private sector played two major roles during this phase of development projects, and as a provider of services to government, consumers and businesses.

Because of the need for economic diversification and greater mobilisation of private capital, the private sector will be expected to undertake some new roles. The primary role of the private sector has always been to seek out, invest in, develop and manage

profitable enterprises; but the private sector will also need to extend and strengthen its existing productivity and export capacities. The private sector should place more emphasis on manpower development through training, and on developing non-oil sectors.

4.7.2 LONG TERM ECONOMIC OBJECTIVE OF THE PRIVATE SECTOR

The evolving structure of the economy places greater responsibilities on the private sector. The Fifth Plan identifies four principal development objectives to be fulfilled by the private sector, they include:

A. Diversifying the Economy

Economic diversification is an essential requirement for long term economic progress. Earlier efforts to achieve greater diversity in the economy centred on government initiatives in petrochemicals and oil refining, and government support for private sector investment in agriculture, and manufacturing. The creation of the industrial cities of Jubail and Yanbu has provided a base for broader private sector participation in downstream petrochemical-related industries. Beyond this, the establishment of a much wider range of vigorous and growing industries will depend upon private sector investment. Furthermore, the private sector will strengthen its general business capabilities to be able to identify and pursue attractive opportunities in a rapidly changing and globally competitive environment.

B. Provide Productive Employment for the Saudi Labour Force

During the past twenty years, a growing proportion of the Saudi workforce has been employed in the government sector. At the infrastructure development stage this was a logical division of labour between the Saudi and non-Saudi components of the labour

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force, with Saudis involved in management of the government and providing government services, and non-Saudis involved in the construction of the infrastructure, as well as providing maintenance and community services. The Fifth Plan establishes a marked departure from this pattern, with tight limits on further growth in government employment and the expectation that over 95 percent of employment growth during the plan years will take place in the private sector.

C. Deploy Private Capital in the Economy

Over the last four plan periods, the government sector has accounted for between 55 percent and 75 percent of total investment in the economy. Furthermore, much of the remaining investment, which was undertaken by the private sector was financed by government development agencies through loans. Although the private sector has accumulated substantial financial assets as a result of strong economic growth in the past (the assets of the private sector which is invested outside Saudi Arabia was estimated to be SR 317.7 billion in 1987), only a relatively small fraction has been invested within the Kingdom. This has been a natural response to the general availability of funding for private sector activities from government sources, and to the difficulties of finding viable new investment opportunities, given the relatively small domestic market. However, private sector capital represents a very important under-utilised resource for the Kingdom, and the success of future economic development depends on a greater deployment of this resource in the Saudi and GCC economies.

D. Strengthen the Adaptive Capacity of the Economy

As the past decade has shown, future economic conditions are difficult to predict. The economies that are best able to cope with these unpredictable swings are those that have the ability to adapt quickly to changing circumstances and where the government provides a stable policy framework. In all countries, successful adaptability is largely a

characteristic of the private sector, where a large number of independent decision makers continually act in accord with their expectations and assessments of opportunities and risks. Therefore, the Kingdom's future economic strength in facing the new external and internal circumstances depends on a broadly based, highly skilled, knowledgeable, entrepreneurial, and competitive private sector. Such a private sector will foster greater economic efficiency, the upgrading of technological capabilities in the Kingdom, and thereby the capacity to innovate and adapt to new challenges.

4.7.3 DEVELOPMENT OPPORTUNITIES FOR THE PRIVATE SECTOR

The achievement of the private sector development objectives will require an expansion in private investment. Many opportunities for investment exist where Saudi entrepreneurs have actual or potential comparative advantage. In broad terms, these include:

1. producing sectors:

- Petrochemical activities.
- Primary metals and fabrication.
- High technology defence-related projects through the Offset Programs.
- Agro-industry processing and high-value added agriculture.
- Intensified export marketing (building materials, food and beverages, plastic and chemical products, fabricated metal products, and agricultural products).
- Competitive import substitution (components and input supplies which provide linkages among industries.
- Natural resource development.
- Establishment of new industries in co-operation with GCC investors.
- Privatisation (hydrocarbon processing, etc.).

2. service sectors:

- Business services focused on efficiency and productivity improvement.
- Financial industry diversification (leasing companies, venture capital firms, insurance companies, export bank, etc.).
- Manpower training systems.
- Business, financial and economic information services.
- Operations/maintenance/contract services.
- Domestic tourism development.
- Private sector participation in communications, health care, transportation, and education.

4.8 FOREIGN TRADE

Throughout the past two decades, the rapid growth process has coincided with the establishment of the Kingdom as an important market for the world's major exporting countries. During this period the value of imports into the Kingdom reached SR 2000 billion, and included a wide range of capital goods and services needed to implement the development process, as well as consumption goods catering for the well-being of the population.

At present, with nations becoming increasingly inter-dependent, foreign trade has accelerated in importance as contributor to the high rate of economic development which has taken place in the Kingdom. Imports furnish the economy with the variety of consumer and capital goods, and exports provide the income needed to finance the large-scale projects and programmes (Saudi British Bank, 1983, El-Mallakh, 1982).

Table 4.3 illustrates the Kingdom's overall foreign trade trends. An inspection of this Table suggests that KSA foreign trade had been very active in terms of export and import from 1968 until early 1981/82, though this began to decline in 1981 and again more sharply in 1982, especially in the case of exports (SAMA, 1984; SAMA, 1985). In 1984 the value of exports reached SR 132.3 billion. However, this began to decrease in the early years of the Fourth Plan and reached SR 166.3 billion in 1990 with an increase of about 56.5 percent over to the previous year. In 1991 the value of exports reached SR 179 billion recording an increase of 7.6 percent over the 1990 level. The value of imports during the Third Plan period recorded a positive average annual growth rate of 7.8 percent reaching SR 118.7 billion in 1984. In 1990 it reached SR 90.1 billion having an increase of 13.8 percent compared to 1989. By 1991 the value of imports amounted to SR 108.9 billion having increased 20.8 percent over 1990. During the period 1968-1991, the average annual growth rate of exports and imports was 7.8 percent and 17.3 percent respectively (Achievements of the Development Plans, 1970-1992: 100).

In spite of the decline in exports and the increase in imports and the fluctuations thereof, trade balance remained in favour of the Kingdom. In 1970 the trade balance was SR 5.7 billion rising to SR 124.7 billion in 1979, then declining to SR 16.9 billion in 1988 and again rising to SR 82.7 billion in 1991.

Table 4.3 KSA Foreign Trade (1968-1991) (Million Riyals)

Gregorian Year	Export**	Percent Change	Import*	Percent Change
1968	9117.8	2578.3	...
1969	9496.2	4.2	3375.5	31
1970	10907.2	14.9	3196.8	-5.4
1971	17302.7	58.6	3667.5	14.7
1972	22761.2	31.5	4708.3	28.4
1973	33309.1	46.3	7310.2	55.3
1974	126222.9	278.9	10149.2	38.8
1975	104411.7	-17.3	14823	46.1
1976	135153.5	29.4	30691	107
1977	153208.6	13.4	51662	68.3
1978	138242	-9.8	69179.7	33.9
1979	213183.4	54.2	82223.3	18.9
1980	362885	70.2	100349.6	22
1981	405481	11.7	119297.7	18.9
1982	271090.1	-33.1	139335.1	16.8
1983	158443.9	-41.6	135417.2	-2.8
1984	132299.2	-16.5	118736.6	-12.3
1985	99535.8	-24.8	85563.6	-27.9
1986	74377	-25.3	70779.6	-17.3
1987	86879.7	16.8	75312.6	6.4
1988	91287.7	5.1	81581.7	8.3
1989	106294.5	16.4	79219.4	-2.9
1990	166339.2	56.5	90138.5	13.8
1991	178974.1	7.6	108881.3	20.8

* CIF

** Include Rexports

Source: Ministry of Finance & National Economy, Central Dep. of Statistics.

At the beginning of the Fifth Plan period, Saudi Arabia is faced with the problem of a current account deficit that has persisted since the 1980s, as the Kingdom's oil export revenues fell in response to falling international oil prices. Despite this decrease in oil revenues, the balance of trade experienced a continuous surplus during the Fourth Plan period. However, the other elements of the balance of payments (trade in services and public and private transfer transactions) have maintained a high level in favour of other

countries, at a time when the balance of trade surplus was rapidly declining. As a result, this led to a continuous deficit in the current account which reached its peak in 1984, since when it started to decrease in response to the Kingdom's diversification efforts to expand non-oil exports and reduce merchandise imports through import substitution.

Despite all these efforts, the current account deficit continues to present a problem for the future economic growth prospects of the Kingdom. Therefore, the Kingdom's foreign trade strategy in the Fifth Plan is directed towards the attainment of an adequate balance in the net financial and merchandise trade flows between the Kingdom and other countries. Foreign trade will continue to play its important role in the development process, as the share of total exports in GDP is expected to increase because of expanding non-oil exports (see Table 4.4). Furthermore, development efforts in the industrial sector are expected to accelerate import substitution during the Fifth Plan.

Table 4.4 Foreign Trade in the Fourth and Fifth Plans

	1984	1989	1994
Percentage Share of GDP	%	%	%
Exports	41.3	38.8	42.8
of which:			
Merchandise Exports	37.6	33.1	35.9
Non-oil Merchandise Exports	1.2	5.4	6.7
Imports of Goods and Services	54.1	43.3	40.9
Percentage Share of Non-oil GDP			
Imports	82.2	55.1	53.2
of which: Merchandise Imports	51.2	36.8	35.5

Based on the general strategic principle concerning the importance relationship between foreign trade and development process, the Fifth Plan aims to achieve the foreign trade objectives through the following additional policies:

- *Enhancing the Base of Export-Oriented Industries and Expanding Exports.* Saudi Arabia has a substantial comparative advantage in hydrocarbon processing and energy intensive industries, as manifested by the success of its petrochemical industries in world markets. The scope of these industries will be further broadened through the development of downstream industries, both to enhance forward linkages within the national economy and to promote exports. The exports of some consumer goods and construction materials will continue. The recently established Saudi Exports Development Centre and the Saudi Company for Export Marketing are expected to be fully operational during the Fifth Plan period.
- *Broadening the Scope of Import Substitution Industries.* During the Fifth Plan, further development policies will be devoted to import horizontal and vertical expansion of the manufacturing sector, and the competitiveness of national products.
- *Accelerating the Process of Economic Integration with the GCC.* Clearly, the process of economic integration will open new horizons for the future development of the Kingdom and will provide economic and social benefits for all GCC member countries. Furthermore, it will establish conditions for the expansion of the region's internal markets and the exploitation of the economies of scale production with economic integration with the GCC.

In addition, the balance of payments position will be strengthened and the current account deficit reduced through adoption of the following policies:

- *Pursuing ways of achieving greater economic diversification and broadening private sector export and import substitution capabilities.*
- *Increasing the role of national products in the Kingdom's foreign aid and assistance programmes provided to other countries and international institutions.*
- *Encouraging national and foreign capital for investment inside the Kingdom.*

4.8.1 IMPORTS

The Kingdom imports a high volume of goods from abroad. Since the country's economy is still in the process of development and industrialisation, it is substantially dependent upon

imports to satisfy its needs (Moliver and Abbondante, 1980). Saudi Arabia is dedicated to the concept of liberal trade based on free competition, and imports generally are free of control (no foreign exchange controls, tariffs, quotas, etc.).

The growth of the value of imports into the Kingdom reflects what is happening to the government's development programme. This does not mean that the public sector undertakes most of the importation; indeed, the public sector usually is only responsible for a low percentage of total imports. However, government expenditure does provide business for the private sector, which in turn, has to resort to imports. Saudi Arabia's import trade over the past three decades has gone through some sharp fluctuations either way.

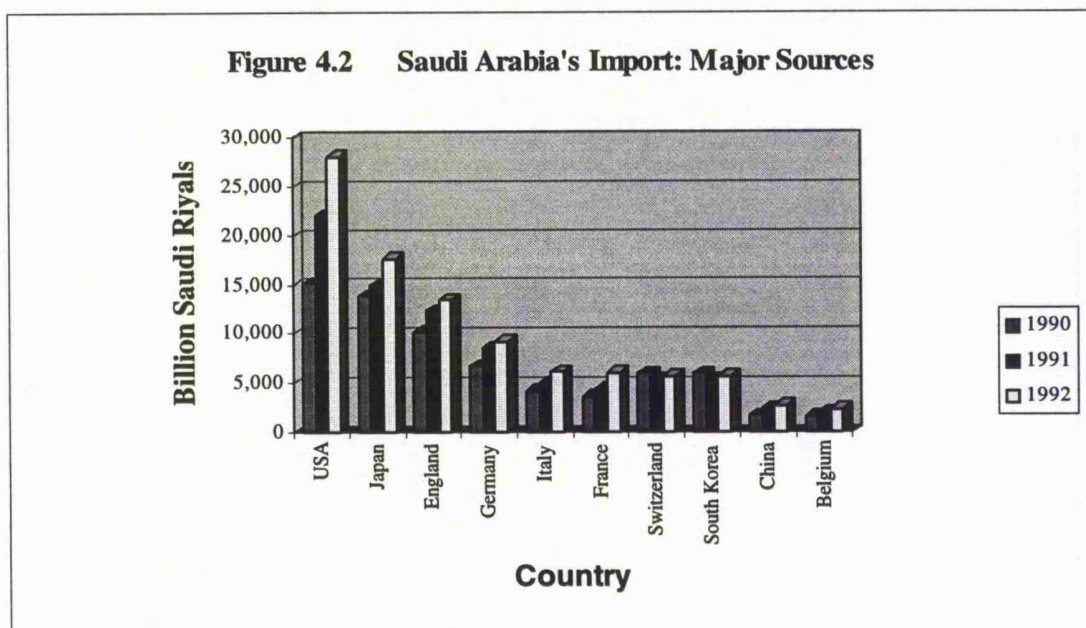
Table 4.5 illustrates the Kingdom's import trade. This Table shows that before the oil boom of the mid-70s, Saudi Arabia's annual imports were of the order of only SR 3 billion. The year 1974 saw imports bouncing to SR 10 billion. The import trade subsequently continued to thrive because of the oil bonanza, touching a peak of about SR 140 billion by 1982. With the fall in oil prices, imports gradually shrunk to only half the peak level by 1986. What has happened since can well be called the period of recovery. The volume of imports seems to be fast nearing the 1982 peak once again (SAMA, 1983; SAMA, 1984; Saudi Commerce & Economic Review, 1994).

Table 4.5 Saudi Arabia's Import Trade (In billion Saudi Riyals)

1970	3.2 (\$ 0.7 b)
1974	10.1 (\$ 2.9 b)
1979	81.5 (\$ 24.5 b)
1982	140.0 (\$ 40.6 b)
1984	118.7 (\$ 33.7 b)
1985	85.6 (\$ 23.6 b)
1986	70.8 (\$ 19.1 b)
1987	75.3 (\$ 20.1 b)
1988	81.6 (\$ 21.8 b)
1989	79.2 (\$ 21.1 b)
1990	90.1 (\$ 24.1 b)
1991	108.9 (\$ 29.1 b)
1992	124.5 (\$ 33.2 b)

Saudi Arabia has the distinction of being one of the fastest developing import markets. The total imports into Saudi Arabia rose by 15 percent in 1992 to SR 125 billion (about US\$ 33.2 billion), as compared to the previous year. In contrast, the rate of growth of total world trade in 1992 was much lower at 5.8 percent, reflecting the recessionary conditions in the developed countries and the general slackening of the world economy.

While the size of its import market is obviously smaller than those of the leading industrialised countries, Saudi Arabia ranks at the top among all the Middle East countries and, in fact, is one of the largest markets among third world countries. Though it has a relatively small population of only 17 million (including expatriate population of 4.6 million), the size of Saudi Arabia's import demand far exceeds that of many developing countries. For instance, India (1992 imports: \$ 24 billion), Iran (\$ 25 billion) and Indonesia (\$ 27 billion).



Source: Saudi Commerce & Economic Review. No. 4, August 1994.

Figure 4.2 shows that the major suppliers to the market are US, Japan, England, Germany and Italy. These five countries account for 60 percent of imports into Saudi Arabia. These countries have succeeded in raising their supplies to this market substantially during the last three years.

Table 4.6 Leading Suppliers to Saudi Arabia

Country	Value (SR Millions)		
	1990	1991	1992
USA	15065	22023	28064
Japan	13815	14915	17590
Britain	10182	12267	13410
Germany	6644	8520	9247
Italy	4181	5028	6176
France	3573	4366	5997
Switzerland	5929	5282	5694
South Korea	5929	5282	5694
China	1667	2345	2646
Belgium	1588	2045	2285

Source: Saudi Commerce & Economic Review. No. 4, August 1994

Table 4.6 indicates that between 1990 and 1992, the US increased its exports to this market by over 85 percent to SR 28 billion (accounting for 23 percent of the total Saudi imports). Italy pushed up its supplies by almost 50 per cent, Germany by 40 percent, the UK by 30 per cent and Japan by a little less than 30 percent. These countries have been supplying a wide range of consumer and industrial goods, apart from defence supplies. The US has been a major supplier of aircraft equipment for the military, American cars are extremely popular in Saudi Arabia, as well as machinery and equipment for industrial and agricultural development. The UK supplies a wide range of goods, but prominent among them is military equipment and industrial goods. Finally, these five major countries and their major commodities are presented in Table 4.7.

Table 4.7 Major Export (to KSA) Countries According to the Major Commodities Supplied

Supply Country	Commodity
UK	Manufactured tobacco, cigarettes, electrical apparatus, military equipment and medicaments
USA	Machinery parts, motor vehicles and mechanical appliances, and parts and accessories
Japan	Motor vehicles, woven man-made fabrics printed or artistically worked, and tubes and pipes
Germany	Motor vehicles, electrical apparatus, large trucks
Italy	Articles of jewellery, furniture, road and paving sets.

Source: Ministry of Finance and National Economy, Annual Foreign Trade Statistics, 1980-1984.

4.8.2 EXPORTS

In addition to the main exports of oil, oil products, petrochemicals and natural gas which have already been discussed, the Kingdom has other more limited exports including fish, raw hides and skins, dates and edible fruits, carpets, mats, rugs, scrap metal from cars and machines, etc. (Jamjoom, 1970).

For many years a substantial range of goods has been exported from the Kingdom, often with departing pilgrims, but it was the Kingdom's Fourth Five Year Plan (1985-1990) which encouraged increased export of local agricultural and non-oil industrial products and resulted in a sizeable exports growth rate of 235 percent between 1985 and 1989 (Saudi Export Development Centre). Table 4.8 presents that between 1985 and 1990, the private sector's non-mineral exports grew by 31 percent and its share in the non-oil GDP rose to 6.5 percent in 1990 from 1.6 in 1985. The major exports were engineering products, electric appliances, paper products, building materials and various farm products (Saudi Export Directory, 1993-94).

Table 4.8 Growth of Non-Mineral Products (in SR million)

Year	Value	Percentage of Total
1985	3522	---
1986	4877	38.5
1987	8097	66
1988	13228	63.4
1989	13540	2.3
1990	13571	.2
1991	13020	4.1

Table 4.9 shows that total Saudi exports rose from SR 84 billion in 1987 to SR 176 billion in 1991. This leap underlines the efforts exerted by the Government to promote exports. From Table 4.9 it can also be seen that non-oil exports rose from SR 8 billion in 1987 to SR 13 billion in 1991.

Table 4.9 Growth of Saudi Exports

Trends in total exports			Trends in non-oil exports	
Year	Value (SR Million)	Growth Rate	Value (SR Million)	Growth Rate
1987	84,600	--	8,101	--
1988	68,895	5%	13,228	63%
1989	103,892	16.8%	13,656	3.2%
1990	163,925	57.8%	13,642	0.1%
1991	176,677	8%	13,020	4.5%

Although the private sector's involvement in export activities is relatively recent, it is taking serious strides toward having a permanent presence in overseas markets. Table 4.10 indicates that the private sector's exports rose from SR 2.9 billion in 1989 to SR 4 billion in 1990, a 38.7 percent increase. Though they declined in the next year to SR 3.2 billion, they recovered during the last two years, reaching SR 4.6 billion in 1992 (a growth rate of 42 percent), and SR 5 billion in 1993 (14 percent).

Table 4.10 Saudi Private Sector Exports

Year	Value (SR Million)	Growth Rate
1989	2,971	--
1990	4,121	38.7%
1991	3,200	22.3%
1992	4,559	42%
1993	5,559	14%

4.9 MANAGEMENT IN SAUDI ARABIA

4.9.1 SAUDIISATION

Saudiisation can be defined as the government's goal of reducing the number of expatriates within the work force by preparing young Saudi nationals to replace them through training and other programs. Towards this goal, government regulations require that Saudi nationals make up 75 percent of any organisation's labour force and 51 percent of the payroll of all businesses. Companies are given quotas which they must meet. At the same time, they want to minimise their labour costs which have been achieved by hiring low costs labour from developing countries. Finding the right balance between local and immigrant labour is a major challenge for managers in Saudi Arabia (Smith, 1993: 5).

For example, in a recent research report assessing training needs in the Kingdom, one respondent from a large manufacturing company pointed out that 50 percent of the top jobs in his company were still held by UK nationals. However, his company was committed, through its Saudiisation programme, to reduce this number by focusing on the development of Saudi managers. The point was also made that the commitment to Saudiisation affects all levels of employees within the organisation (Smith, 1993).

This poses another problem for management: young Saudi nationals may be reluctant to accept lower level positions that do not meet their status and salary expectations. In the past Saudis were more or less guaranteed management jobs, especially in the public sector.

It is a different story now. In the private sector, where competitive pressures compel

companies to improve performance at all levels, yet keep their labour costs to a minimum, managers may still prefer to hire skilled immigrant workers and supervisors. Moreover, even if they hire more locals as they are required to do, the large number of young Saudis now entering the job market gives them plenty of choice. As these conditions prevail, more management resources are being allocated to manpower planning; selection and recruitment; and T&D.

4.9.2 MANPOWER

To reduce dependency on foreign personnel and to meet the needs of new industrialisation, a number of vocational training centres have been established. In 1970 there were only five vocational education institutes. Today there are 42. In 1970 there were only five vocational training centres, today there are 30. This has been made possible by the government offering improved salaries and remuneration to employees who complete these courses. Following graduation, they are directed to jobs in industry that will give them a good standard of living. Increasing numbers of trainees are expected to enter these vocational centres to meet the demands of industry for trained personnel without having to import labour (Ministry of Information, 1992: 119).

Increased industrialisation requires growth in manpower to support the various projects. During the two decades of planned development in the Kingdom, the labour market has undergone rapid and profound changes. Total employment has grown at an average

annual rate of eight percent, and 4.3 million new workers have been added to the workforce.

Industrial development created the need for large sources of manpower much of which could not be met by the number of new Saudi entrants into the labour market. The goal of manpower development is to achieve Saudiisation in the private sector and eliminate or significantly reduce the numbers of expatriates required in the Kingdom. The Five Year Development Plan called for taking measures to improve the quality, remuneration expectations and attitudes toward work of all potential Saudi workers, and to provide more employment opportunities for women. The plan calls for over 60,000 females to enter the labour market, finding ways in which their talents and abilities can be used within the cultural policies (Fifth Development Plan, 1990-1995: 57).

Table 4.11 shows the net outflow of about 600,000 expatriates to occur during the plan period. This requires an increase in Saudi labour productivity.

Table 4.11 National Composition Of the Civilian Labour Force (In Thousands)

National	1979/80	1984/85	1989/90
Saudi Male	1,366.4	1,649.2	1,984.1
Saudi Female	126.8	136.8	176.6
Sub-total	1,493.2	1,786.0	2,160.7
Non-Saudi	1,532.8	2,660.0	2,059.8
Total	3,026.0	4,446.0	4,220.5

Source: A Guide to Industrial Investment, 7th ed., Riyadh, 1986: 17.

With the passing of the infrastructure stage of development, the creation of new output capacities will become increasingly dependent on the private sector. The government's

responsibility is to create a climate which is conducive to the expansion of private investment, through a combination of regulatory measures, financial and other incentives, including the joint public/private financing of development projects.

4.9.3 SOCIAL STRUCTURE AND DYNAMICS

In Saudi Arabia the tendency is for more value to be placed on the social group - extended family, organisation, ethnic group or nation - than on the independence and self-reliance of the individual. Furthermore, the structure of relationships is traditionally more hierarchical than egalitarian. This can result in a more autocratic style of management with authority concentrated at the top of the organisation.

Kinship networks are still a pervasive and powerful component of the business environment in the Kingdom. Family ties are often the central force in the creation and operation of trading or business groups. They affect the structure of business and ways firms operate. They create competitive advantage through member loyalty and privileged access to information. However, they may also disadvantage the company if management decisions are made solely for social rather than economic reasons (Austin, 1990).

4.9.4 HUMAN NATURE

Another factor than influences management style in Saudi Arabia is how management regards the workforce. Where trust is low, as it can be with certain categories of

immigrant labour, there is less delegation of authority and decision-making is more autocratic. Relationships are more adversarial and investment in T&D is minimal (Austin, 1990).

Senior management is of course more likely to invest in training its employees if it thinks they are worth training. If management holds the view that once trained personnel will leave for a better-paid position with another firm, maybe a competitor, or will sooner or later return to their own country, then they may be reluctant to spend money on T&D.

4.9.5 THE ROLE OF WOMEN

Management in the Kingdom needs to be sensitive to the social, religious and cultural factors in Saudi society because this can affect the manager's, especially the foreign manager's ability to manage effectively. For instance, the role of women must be clearly understood and special provisions made for the needs of a gender-specific workplace.

4.10 T&D

4.10.1 MANPOWER PLANNING

Saudi Arabia with a population of 17 million, that is forecast to double over the next twenty years, constitutes an important and fast growing market. Of particular importance is the age profile of the Kingdom. Current estimates suggest that more than one half of Saudi nationals are under 15 years of age. It is also estimated that there are at least one

million unemployed or under-employed males in Saudi Arabia. This youthful profile, coupled with an expanding and changing economic base, points to a growing challenge for the Kingdom's manpower planners (Smith, 1993).

Reflecting on the baby boom of the seventies, a large number of young Saudis are now in full time education. There will, therefore, be a big influx of graduates into the Kingdom's labour market in the near future, all of whom will require training to build on their academic qualifications.

In a recent report by DVL Smith & Associates, a UK-based market research company, it was pointed out that there would be 400,000 plus Saudis coming onto the job market in 1995, each of whom would have to be trained and located in a job. Furthermore, according to a report on population trends in the Gulf states by Birks Sinclair & Associates of the UK, there is likely to be a net increase in the male labour force of about 100,000 a year in Saudi Arabia alone. In short, the demographic trends all point to there being a growing need for public and private sector organisations to invest more in training and developing their Saudi employees.

As mentioned, the government's Saudiisation policy requires firms to employ and train more Saudis. For example, in the construction industry in the Kingdom, more than 90 percent of the labour force is foreign based; within the wholesale and retail trade the figure is 80 percent; and in banking it is 50 percent. These figures highlight the size of the training

investment that companies, particularly the larger ones, are being asked to make (Smith, 1993).

Many private sector companies are saying that the cost is too high; they need more help from government. The government might well reply that it is already spending a huge amount on education and training and so the private sector must bear some of the costs. The debate about who employs more Saudis - the private or the public sector - and who pays the bill, goes on.

4.10.2 INVESTMENT IN EDUCATION AND TRAINING

Table 4.12 shows that over the five year period from 1989 to 1993, the Saudi Government increased its spending on education and human resources from SR 24 to just over SR 34 billion.

Table 4.12 Saudi Education and Human Resource Budget 1989-1993

Year	Value (SR Million)
1989	24,000
1990	26,191
1991	26,191
1992	31,118
1993	34,093

NB: The 1990 budget was, in effect, rolled over for 1991, a year for which no formal budget was issued.

Source: Robert (1993) "Saudi Arabia 1993".

After defence, the second largest allocation in the 1993 budget, US\$9.1 bn, went to education. State funded universities and training and research agencies between them were budgeted to receive nearly SR 8bn (See Table 4.13).

Table 4.13 1993 Government Spending on Universities, Training & Research

Universities	Value (SR Million)
King Saud Universities	1,769.0
King Abdul Aziz University	1,325.1
General Org. for Technical Training	1,252.2
Imam Mohammed Ibn Saud Islamic Univ.	1,066.3
Umm al-Qura University	634,.7
King Faisal University	444.5
King Abdul Aziz City for Science & Technology	399.5
King Fahd University of Petroleum & Minerals	391.8
Islamic University of Madinah	216.4
Institute of Public Administration	176.2
Total	7,675.7

Source: Robert (1993) "Saudi Arabia 1993".

In the Fifth Five Year Plan: 1990-1995 Government expenditure on education was budgeted at just under SR 141bn, the second largest allocation in the Plan after defence. There were seven strategic objectives in the Plan, one of which was "to develop full work opportunities for Saudi labour" (Robert, 1993: 52-55).

Sources in Saudi Arabia stress the Plan's social purposes. They say it was conceived with the idea of maintaining the Kingdom's Islamic values and traditions. Thus, construction of mosques and the expansion of religious education can be equated with the same importance for many Saudis.

Some experts take a different view, and argue that the very provision of religious education can be counter productive in terms of building an advanced modern society that is fully equipped to compete in today's global markets (Robert, 1993).

Saudi Arabia is not alone in investing in education and training. Many emerging economies, best exemplified by the tigers of South East Asia (South Korea, Taiwan, Hong Kong and Singapore) have also invested heavily over the past two decades. A well trained workforce is facilitating their technological advancement. As a result, opportunities for technology co-operation and transfer, through joint ventures and licensing, are expanding rapidly (Parker, 1993).

To compete against these other emerging economies in global markets, Saudi Arabia has to continue to invest heavily in its people. The larger Saudi organisations know this and are prepared to invest in T&D, even though they also know that they may risk losing their new recruits to other companies once they are trained. But for every Saudi Aramco or Saudi American Bank that invests in training, there are many more Saudi firms who still regard it as a low priority.

4.11 THE PRESENT ECONOMY

The government of Saudi Arabia is stable, and the economy is based on the free market system. Many incentives are offered to encourage investment such as tax holidays, customs exemptions, and low cost loans. There is no restriction on the repatriation of capital and profits from business investments (Yanbu and Jubail Industrial Cities: 6-7). Saudi Arabia is one of the top five non-Organisation Economic Co-operation and Development (OECD) economies. It is the world's leading oil exporter, the world's largest economy and the biggest consumer of foreign goods between western Europe and South-

east Asia. By 1990, its per capita gross national product had surpassed every African and Latin American state and was exceeded in Asia only by Japan, Singapore and Hong Kong.

Following many remarkable years of growth, challenge and change, the Kingdom is now consolidating. The priority for the rest of the 1990s is to complete the projects and fulfil the commitments announced before Iraq's President Saddam Hussain precipitated the Gulf War by invading Kuwait (O'Sullivan, 1993: 29).

The Gulf War crisis is expected to have an impact on the Kingdom's balance of payments for the rest of the decade. Despite extraordinary short-term problems resulting from the cost of financing much of the allies' campaign to liberate Kuwait, the economic impact should be beneficial in the long term. During the next two years, economic growth is projected to expand, particularly in the private sector (O'Sullivan, 1993: 59).

Henry Azzam, chief economist with National Commercial Bank in Jeddah, indicated that private sector growth would double to 12 percent in 1993 from 6 percent the previous year. The private sector in Saudi Arabia has long been dwarfed by major governmental projects and multinational corporations. This situation is changing because the current economic boom is being led by the private sector. This trend is expected to continue. "One reason is that private companies that survived the 1982-85 recession have become more competent in marketing, investment decisions, and financial control." (Robert, 1993: 6-7)

Companies are only as good as the people who manage them. Managers in the private sector can take some credit for this improvement in performance. This is not only in the private sector, but also applies to many state owned enterprises such as Saudi Aramco. This giant petrochemical company, reputedly the fourth largest corporation in the world, has levels of management skill to match any organisation of comparable size anywhere in the industrialised world.

Nevertheless, managers in the Kingdom cannot afford to relax because the Saudi market is becoming more and more competitive. The Saudi economy is expanding while most of the industrialised world is either marking time or in recession. This is encouraging more companies to enter a market in which there are already more than 100,000 large, medium, and small companies operating, one of the largest communities of enterprises outside the industrialised world. They include major petrochemical, fertiliser and metal industries that are already global exporters; new manufacturing industries; and substantial corporations operating in construction, aviation, financial services, and fast moving consumer goods markets. As these businesses grow, combine and develop, so too do the demands being placed on their management teams (O'Sullivan, 1992: 1).

Notwithstanding a rapidly rising population and an expanding economy, the Saudi market is still relatively small. This is encouraging a new generation of Saudi manufacturers to increase export, for which they require a new set of management skills. Oil resources provide the basis for a modern state and the funds for a free economic system where

human enterprise, working within a total plan, would ensure self generating growth (Stacey International, 1990: 133).

As a result, the economic growth of Saudi Arabia in the last quarter of the twentieth century is unprecedented. By 1977, the Kingdom was second only to West Germany in monetary reserves. It was able, until the oil price crash of 1986, to balance its budget despite the enormous expenditures under its five year plans (Stacey International, 1990: 134).

Through industrialisation, the Kingdom is striving to ensure its future. Both the public and private sectors are being encouraged to diversify away from oil and raw material production into value added down line products and manufacturers for the domestic, Gulf and overseas markets. Raw materials, energy, industrial infrastructure and government assistance through the Saudi Industrial Development Fund are abundantly available. The efforts are already being felt, with the industrial sector adding SR25.76 billion to the GNP in 1990 (Stacey International, 1990: 134).

The potential demand for products is directly related to the level of economic development, which also affects the quality and quantity of demand on goods. Saudi Arabia has embarked on a massive development programme with the long-term goals of diversifying the economy by:

1. *Continuing balanced economic growth by developing the country's resources;*
2. *Reducing dependence on the production of crude oil as the primary source of national income;*

-
3. *Developing human resources through education training and the raising of health standards;*
 4. *Completing the basic infrastructure which is required for the attainment of these goals.*

These long-term goals will be achieved while at the same time the religious values of Islam will be maintained by fostering and propagating the Sharia (Islamic law) (Ministry of Planning, 1985; Ministry of Commerce, 1983).

4.12 SUMMARY

The economic development of Saudi Arabia during the past thirty years has not been duplicated by other developing countries. Although great gains have been made in industrialization, future progress depends on business and industry entering the global marketplace. Future economic growth is dependent upon business and industry expanding its efforts world-wide, which means that managers will have to play a different role, one that views every nation as a potential market.

The success of companies in the global marketplace depends on their degree of knowledge in how such business should be conducted. One of the objectives of this research was to identify the strengths and weaknesses of management and to change these weaknesses into strengths so that the economy of Saudi Arabia could expand successfully and become a major player in the global marketplace.

Chapter 5, outlines the methodology and procedures used for this research. The methodology selected included both primary and secondary research. Primary research consists of the use of a questionnaire to obtain empirical data from managers currently employed in Saudi Arabia to identify their understanding of the global marketplace that which is required from a human resource perspective to be successful. The questionnaire was distributed to managers in oil and non-oil companies in Saudi Arabia in English and in Arabic. A total of eight hypotheses were designed to be tested from the data collected from the 223 respondents. The chapter also identifies the way in which questionnaires were distributed, the factors influencing responses, and the characteristics of respondents relative to research studies.

NOTES

T&D AT SAUDI ARAMCO - A CASE HISTORY

Saudi Aramco's involvement in training dates back to the earliest days of the company when 2475 Saudis and 340 expatriates worked hand-in-hand to get the first shipment of crude oil out of the Kingdom in 1939. Since then the company has engaged in an ever-growing HRD programme for its employees. Today the company's programme is one of the largest in the world.

At the beginning, training was much more informal. In fact, during the period before and immediately following World War II, training was primarily on-the-job. However, as the workforce expanded, it became necessary to begin a more formalised programme. Permanent industrialised training centres were established in Dhahran, Abqaiq and Ras Tanura in the 1950s. So was the Saudi Development Programme, designed to assist Saudi employees in career development and to track their progress. The training programme continued to grow during the 1960s so that both the Industrial Training and Saudi Development programmes were expanded.

In the 1970s, amid a period of rapid expansion in oil production capabilities, Aramco developed and implemented more comprehensive programmes, such as the Apprenticeship Programme, to provide young Saudis with the technical skills necessary to perform skilled operator and maintenance jobs. To meet their expanding needs, additional training facilities were leased in Dhamman and Mubarratz and new training centres were established in Dhahran, Abqaiq and Ras Tanura.

In addition, increasing management emphasis on Saudi training led many line organisations to implement formal on-the-job training that led to meeting full-job qualifications. In the 1980s the company began a new training tack with the reactivation of apprenticeship and the introduction of college degree programmes for non-employees. Both have been highly successful to date.

The major objectives of training and career development are:

- to qualify as many Saudis as needed to meet the employment levels planned for professional, industrial and administrative jobs;
- to man new facilities and the associated newly created positions, and to replace personnel lost through attrition;
- to keep up to date with technological developments and to upgrade employee skills to help them move to higher job levels.

Company programmes are designed to develop employees in all career tracks. The major training programmes include:

- The College Preparatory Programme, designed to meet the needs of college-bound students, offers a variety of courses in English, maths and science to improve chances for admission to university and enhance academic performance in university study.

-
- The College Degree Programme sponsors a number of Saudi employees for college to obtain bachelor degrees in required fields. In recent years the emphasis has been on degrees in technical fields.
 - The Professional Development Programme is a three-year plan for Saudi college graduates to provide them with the necessary work experience required for their chosen occupations. Participants who require further English language training are enrolled in the Professional English Language Programme conducted in Dhahran.
 - Under the Advanced Degrees Programme, certain employees selected by management are sent to universities and colleges in the Kingdom and abroad to obtain advanced degrees in technical specialities required by the company.
 - US company assignments enable professional Saudi engineers or employees who have been singled out for supervisory and managerial roles to work and develop their skills in different working environments.
 - The Specialist Development Programme was established in 1983 for engineering candidates and was enlarged in 1987 to include computer professionals. It is design to prepare participants for careers as technical specialists. Each candidate is paired with a mentor who is a specialist in the field. He guides the candidate through a tailor-made programme that is specially designed to test and improve his technical abilities.
 - Short management, professional, and technical courses are offered by the company to update employee skills in areas directly related to their jobs. Career development trainers conduct most of these courses, although recognised consultants are sometimes brought in to run courses.
 - Executive MD is co-ordinated by the MD and Career Development departments. They offer management personnel programmes inside and outside the Kingdom to keep senior managers up to date with the latest developments in the oil and gas industry.
 - The company also operates the Clerical Training Programme to qualify Saudi employees for clerical and administrative positions, including statistical clerks, material supply, warehouse and general services assistants.

In addition to all these programmes, Training and Career Development is also engaged in curriculum development, testing and evaluation, quality assurance and trainer certification. At Saudi Aramco, T&D is given a high priority, because the company knows that its most valuable asset is its human resources, and therefore that its future depends on the training received by its Saudi employees. At present, Saudi Aramco utilises the services of 1750 trainers, teachers and support staff to conduct, co-ordinate, track and direct T&D programmes that serve the needs of approximately 11,000 out of 37,500 Saudi employees and apprentices (The Arabian Sun, 1993: 12-13)

Since 1983, the Saudi skilled and technical work force increased by 35 percent, while Saudi non-supervisory professionals rose 110 percent. This testifies to the success of the company's college degree and professional development programmes. During the same ten-year period, Saudis in supervisory jobs increased from 65 to 78 percent,

while Saudis, as a percentage of the total population, have grown to approximately 75 percent from 60 percent in 1983. This shows that Saudiisation at Saudi Aramco has kept pace with the growth in the number of Saudis in the Kingdom's population.

HRD at Saudi Aramco will continue to play a key role in all future plans for the company, because according to Al-Hokail, Executive Vice president for Industrial Relations and Affairs: "Investment in people always yields the highest return." (Al-Hokail, 1993: 3)

CHAPTER 5

METHODOLOGY AND PROCEDURES

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CHAPTER 5 METHODOLOGY AND PROCEDURES

5.1 INTRODUCTION

The continued growth of the Saudi Arabian economy demands that business and industry in the private sector prepare their managers for a global marketplace. The objective of this study is to assist managers to become successful in this extended marketing environment. The methodology selected deals with the organisation of assumptions, concepts and definitions, leading to a systematic inquiry. The methodology selected is designed to fit the actual needs of the research and the circumstances surrounding it. This research examines the approach to HRM in Saudi manufacturing industries whose products are suitable for the global marketplace and identifies problems that may be encountered entering such a market and strategies that can prepare managers for their new role. The main purpose of this chapter is to present the specific methodological procedures employed to obtain the data during the field research conducted in Saudi Arabia, the problems involved, and the method to be used for analysis of the data.

5.2 OBJECTIVE

The major objective of this research is to provide managers with information that will assist them to enter the global marketplace. There is a consensus of opinion that we are living at a time when business and industry must operate in a world without borders. However, there is a lack of data to assist managers planning to enter this larger market. This research

provides a valuable resource for management when making decisions to enter this market, and the tools necessary to be successful. The focus of the study is on HRM & HRD as research has shown that weakness in these areas have a direct relationship to failure when operating in a foreign environment.

Recognising that many companies in Saudi Arabia are experiencing limited growth due to saturation of the domestic market, this study was viewed as vital to industrial expansion. The goal is to give Saudi companies a competitive edge in the marketplace by providing the tools that are necessary, but which may not be available in the present organisation. While it is recognised that many companies would greatly benefit by entering the larger market, such benefits will not be achieved without strategic planning which includes organisation development for adapting the structure, and MD to prepare managers to be effective in a foreign environment. By investigating the background of managers and their understanding of the global market certain weaknesses have been identified that need to be changed to strengths if they are to be profitable in such a market. The objective, therefore, is to prepare management to enter the global market for growth and profitability, and provide greater contribution to the economy of Saudi Arabia.

5.3 THE NEED FOR A NEW THEORY OF BUSINESS

Every profit making organisation has a theory of business. The theory is based on mission, goals, and objectives. The theory of businesses explains both successes and failures. The theory on which organisations have been built are not meeting the

challenges of business and industry today. Changes are taking place in the marketplace, consumer behaviour, and competition. To be effective, a theory must be clear, consistent, and focused on the changes taking place in the market environment. The successful companies have recognised that growth and profitability are dependent upon the ability to meet the demands of the changing market environment (Drucker, 1994: 96).

It is proposed that many companies in Saudi Arabia have reached a time when it is necessary to change their theory of business if they are to experience growth and greater profitability. The continued growth and development of the economy of Saudi Arabia requires that firms in the private sector enter the global marketplace. This is based on the changes taking place in the world as a result of more rapid IT-based communications. Saudi Companies can no longer limit their contributions to a nation's economy to the domestic marketplace. Increased competition in this market requires management of all business and industry to look beyond their borders and develop strategies that will give them a competitive edge in the larger marketplace. This can only be achieved by identifying the markets into which their products can be sold, and creating an organisation that will effectively promote such products. Saudi Managers can no longer conduct business as usual, but must adapt to the changing environment if they are to be successful in guiding their companies to profitability in the future. They need to adapt to the changing environment, to design a new theory of business, and recognise that the future of their organisation depends on it. HRM and HRD strategies are essential to ensure that organisations successfully operate in the global marketplace.

The literature reviewed in chapter 3 strongly supports the view that for companies to plan for growth and profitability, they have no choice but to look to new markets outside of their country if they are to remain competitive in the global marketplace. This is based on the view that markets are expanding around the world. Today, the market includes countries that, just a few years ago, were not part of the open market system, for example, countries in the former Soviet Union and most developing nations, particularly countries from the Pacific Rim such as Singapore, Taiwan and Korea. With the creation of trade agreements between nations, many trade barriers have been eliminated (Ohmae, 1990; Ohmae, 1992; Dicken, 1992). Technology has also had a great influence on manager's ability to do business in many environment. At the same time, doing business in a foreign environment presents many challenges for those responsible for new markets (See Chapter 2).

Chapter 3 indicated that globalisation presents many challenges for managers in a wide range of organisations. It requires companies to develop a new theory of business, one that is broader and demands more highly qualified personnel. Training of people to work in a foreign environment is a vital step in the preparation of manpower required and it is argued that HRD professional are crucial to success in the global marketplace (Marquardt and Engel, 1993). Managers also need training to be effective in directing the efforts of others in the new markets as the traditional style is no longer applicable. For many, it means learning how to conduct business in a totally different way.

The model for developing global managers (Figure 3.1) is based on the current literature which acknowledges the great changes that are taking place in the international economy indicating a trend towards a global marketplace. This is evidenced by the external pressures that influence domestic organisations into becoming (or in the process of becoming) global players, but before this can happen, an organisation has to define its business objectives, for example to expand its operations beyond the domestic market. Once the objectives have been established, the organisation needs to appoint a senior company executive as a strategic manager to guide the organisation through the globalisation process by ensuring that the organisation has the necessary manpower which can achieve this by building management competencies.

The participation of HRM/HRD manager(s) is essential at this stage to identify those competencies skills and abilities that are essential in an international manager. Those responsible for HRM/HRD acting as an integral function, must understand that globalisation requires competitive strategies capable of crossing national borders and that this needs a new generation of managers who are culturally sensitive, capable of leading and managing a culturally diverse workforce, strategically aware of the business environment in a global content and who can adapt to new situations quite readily. If such managers cannot be found, then suitable T&D programmes need to be designed so that these competencies, skills and abilities can be transferred to those managers selected for international positions. It is the role and function of MD in any organisation to provide managers with the necessary skills, competencies and on the

job training needed by an international manager, not only to perform effectively in fulfilling their (given) functions, but also to assist in future career development.

This requires top management commitment to HRM/HRD and T&D (Garavan, 1991), the integration of HRM/HRD to ensure that all employees, whether managers or support staff, have the necessary skills, abilities and competencies need to work in a multicultural, global environment (Mahoney, 1990). HRM/HRD managers must also realise that management and training techniques currently being utilised by the domestic organisation will be inappropriate for the global environment (Welch, 1990) which means that managers and employees need to be given specific training to work internationally (Ondrack, 1985) where quality of management in the international arena is even more critical (Scullion, 1992). Therefore, it is essential that HRM/HRD incorporate multicultural and international management skills in its training programmes if managers and organisations are to be competitive globally.

Eight hypotheses are formulated (See section 5.4, below) based on the current literature that describes the changes taking place in the global markets (chapter 2), the challenges faced by organisations and HRM/HRD managers in recognising that a way to manage in a global environment is required, needing managers with specific competencies, skills and abilities (chapter 3).

Hypotheses 1 and 2 (and to some extent hypothesis 3 as well) are designed to ascertain the extent and understanding managers working for Saudi companies have regarding

the role HRM/HRD play in an organisation, the importance of any relationship between HRM and HRD, if any, and whether T&D is a part of HRM, HRD or both. These hypotheses will be tested using a number of statements regarding HRM, HRD and T&D, and will be analysed according to nationality, age, qualification and experience among other variables. The data collected from this part of the survey (See Section B, Appendix A) will determine, to some extent, the role and function of HRM/HRD as depicted in the model and decide what T&D policies and programmes are needed that will lead to organisational and career development as well as determining how the subject of MD will be approached by not only HRM/HRD managers but also top management. Hypothesis 3 is formulated to establish if what the current literature states regarding those factors forcing companies to seek wider markets also applies to companies in Saudi Arabia (i.e. the external pressures depicted in Figure 3.1). Hypothesis 3 will also determine if the respondents understand the important role HRM/HRD have to play in an organisation's corporate strategy (Keep, 1989; Garavan, 1991; Armstrong, 1993; Megginson et al., 1993).

Hypothesis 4 will examine the extent and level of understanding respondents have regarding MD and its role in developing managerial skills and effectiveness. This hypothesis will be analysed using qualitative as well as quantitative methods in ascertaining the extent of top management commitment to MD, if any, how the respondents themselves view MD and how the responses will determine the position of MD within the model (Figure 3.1), that is to say, will the analysis of this hypothesis validate the model or undermine it (Tuller, 1991; Adler and Bartholomew, 1992).

Hypothesis 6 is designed to test if the views in the current literature regarding the willingness and readiness of younger managers to accept international assignments are also held by the respondents of this survey (ACOST survey as quoted in Hendry and Pettigrew, 1992; Coulson-Thomas, 1992). The results obtained will determine if T&D is to be directed solely at mature managers, younger managers or both as the case may be.

Hypotheses 5, 7 and 8 are based on the work by Barham and Devine and their identification of the key competencies and skills that are needed by international managers and some of the constraints that prevent companies from giving managers international experience. Barham and Devine's work is used as a basis for these three hypotheses, not only because of their current influences in international HRM/HRD and discussions regarding the global manager, but also to ascertain if the relative order of importance of these competencies, skills and constraints are still the same as they were following the Ashridge survey. These hypotheses are also designed as an information gathering exercise to identify the international managerial competencies, skills and abilities, as perceived by those already working, or considering working, in a global environment, and designing and developing T&D programmes (leading to MD) based on the results of this survey.

The results from this study will also determine if the model (Figure 3.1) is based on solid foundations with the results of this study forming the inputs that lead to an organisation (HRM/HRD managers and top management in collaboration) deciding

how they will approach the subject of T&D and MD through and analytical process and ascertain what competencies, skills and abilities are needed by their managers and the time scales involved in preparing for them to function effectively in the global environment, ready to meet organisational objectives (the output).

The literature indicates the changes taking place in the world today relating to business and industry, where those changes cannot be ignored. Companies, to stay in business, will be required to expand their markets. For many this means a new way of doing business. It is believed that the real success of such a venture depends on a thorough understanding of the market and what is required for entrance. It has been an objective of this study to assist managers to turn the organisation's weaknesses into strengths so the opportunities provided by these new markets will be profitable.

5.4 HYPOTHESES

The following hypotheses were designed to support the above theory (See Chapter 2 & 3).

Hypothesis 1: Older managers will rate the following HRM policies and practices higher than younger managers:

- a. Training and development for a multicultural environment;
- b. HRM/HRD responsibilities; and
- c. The importance of the relationship between HRM & HRD in the organisation.

Hypothesis 2: Non-Saudi managers will have a greater awareness of the importance of HRM activities than their Saudi counterparts.

Hypothesis 3: Company decisions to globalise demand that HRM and HRD be integrated with corporate strategy.

Hypothesis 4: Management and development is central to the improvement of managerial skills and effectiveness.

Hypothesis 5: In globalising a company, HRD provides the following managerial competencies (in order of importance):

- i. Strategic awareness
- ii. Adaptability to new situations
- iii. Sensitivity to different cultures
- iv. Ability to work in international teams
- v. Language skills.

Hypothesis 6: Younger managers will be more willing to accept international positions than older managers.

Hypothesis 7: Factors that prevent managers from accepting international assignments (in order of importance):

- i. Disruption of children's education.
- ii. Spouse/partner reluctant to give up own career.
- iii. Fear of losing influence/visibility at corporate centre.
- iv. Organisation finds difficulty in re-absorbing returning managers.
- v. Lack of co-ordinated approach across the company.

Hypothesis 8: Managers for international assignments require the following skills:

- i. Technical skills/expertise for the job
- ii. Potential of manager to develop in the new role
- iii. Knowledge of company systems, procedures, etc.
- iv. Understanding the market & customers
- v. Appropriate language skills

5.5 THE QUESTIONNAIRE

A questionnaire was used to collect the required data partly because of practical effectiveness. In this respect, Clover and Basley (1979) indicated that prospective respondents can be reached at a relatively low cost by use of a questionnaire and a quick turnaround time can usually be expected. During the planning stage, it was felt that there were very few reliable research studies and little information about managers in Saudi Arabia. Therefore, it became evident that the information needed for this research could best be obtained through a mail questionnaire filled in by the general managers or their assistants. According to Sellitez et al (1960), questionnaires are especially beneficial to a researcher who seeks information about the internal operations of an organisation.

As Mason and Bramble (1978) and Caswell (1989) suggest, a questionnaire has the advantage of increasing the generalisation of data, and at the same time gives the respondents freedom to express their points of view. Therefore, a questionnaire was designed to test the hypotheses as stated in section 5.4. The methodology used in this study as similar to that utilised by Jones (1992). See also Jones, 1995: 120.

In spite of the newness of the questionnaire technique in Saudi Arabia and some difficulties encountered by its early users (Al-Kahtani, 1991: 155), the questionnaire device was decided on as a matter of expediency (See Section 5.8). The advantages were clear: it was possible to approach the 400 general managers or their assistants selected as respondents to

this study relatively quickly and inexpensively. Its disadvantages are reflected in the response rate.

The questionnaires were translated from English to Arabic. The researcher was aware that problems could arise when translating concepts central to UK culture into the language of Saudi culture. Triandis and Brislin (1984) note that the problem of translation has received a great deal of attention in the literature (See also Brislin, 1976) and that translation problems should be “a starting point for research rather than a frustrating end to one’s aspirations for data collection.” (Dowling et al., 1994: 235) Using methods such as the decentering technique (Werner and Campbell, 1970), which involves translating from the original to the target language and back again through several iterations, a researcher can test if there is any emic colouring of the concepts under investigation. If there are few differences between the original and target translation, then sufficient equivalence has been demonstrated (Dowling et al., 1994). Hence, to prepare the questionnaire for distribution, several steps were taken:

1. The questionnaire was translated by the researcher and a native expert.
2. The researcher gave three people, a vice president at the Islamic Development Bank (IDB) and two lecturers at King Faisal University, an English version of the questionnaire to be translated separately.
3. After translating the questionnaire, three individuals (the two lecturers and the researcher) met to compare and discuss the questions making modifications and corrections as necessary.

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4. Finally, the questionnaire was taken to a specialist in the Arabic language to examine the grammar. After corrections were made, the questionnaires were ready for distribution.

Translating the questionnaire seemed relatively easy and the translations were grammatically correct. Furthermore, the positive reaction of the respondents towards the questions and their comments were noted and taken as an indication that the questionnaire was meaningful and valid. An effort was made to ensure that items included in the questionnaire were relevant and easily understood. Those items were, therefore, tested through a pilot study carried out in two ways:

1. The researcher contacted a vice president at the Islamic Development Bank, who had completed his PhD at the University of Leicester, Management Centre and also a senior lecturer in the School of Management Science and Planning at the King Faisal University.
2. The questionnaire both in Arabic and English was referred to a group of specialists in field surveys, statistical analysis and business administration, to examine the objectivity of the questions. The questions were rephrased according to the comments of the respondents.
3. To measure the validity of the questionnaire a pilot test was conducted with 20 managers. Participants in the pilot study were asked to comment on such areas as wording, order, irrelevant items, items sensitive to the Saudi culture, and ambiguous items. The results of the test suggested that there was little need for revision. In

addition, none of the respondents involved in the pre-test indicated any degree of difficulty in interpreting the items as presented. Thus, if the researcher can demonstrate the validity of this instrument, (s)he presumes that it is reliable (Suchman, 1967).

5.5.1 DESIGN AND STRUCTURE

The questionnaire includes the major variables of the study. In addition, general information about the respondents was solicited to distinguish the independent and dependent variables during analysis. The questionnaire is an eight-page instrument, comprising 40 questions for quantification of responses and another seven questions seeking personal details from the respondents.

The first part of the questionnaire sought general information about the respondents, namely, age, nationality, marital status, qualifications, and years of work experience. The second part implies statements in terms of Likert-type five point scales. Items included in section B mostly concern policies and practices of HRM and development in Saudi manufacturing industries whose products are suitable for the global marketplace from both an international and domestic perspectives. The third and fourth parts were generally the same as those of the Barham and Devine's sample, with minor modifications to include trade agreements (See Section C, Appendix A). The reason why these two parts of my questionnaire were included was to provide the advantage of standardised comparison. Responses from managers in Saudi Arabia are presented and compared with Barham and Devine's study. The structure of the questionnaire is as follows:

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- A. Personal details: Section A, Questions 1-7.
 - B. Information about HRM in Saudi exporting companies: Section B, Question 1-23.
 - C. Information about the way that increasing attention to international business might affect Saudi companies: Section C, Question 1-3.
 - D. How Saudi companies approach international T&D of its managers: Section D, Question 1-14.

The questionnaire was designed to take into consideration all important and relevant factors covered by the hypotheses. The starting point for the questionnaire survey was to identify the importance of HRD in Saudi manufacturing industries. In addition, this resource was used to explore the approach being taken for the development of managers to manage in a global environment.

The questions were designed to measure factors regarding HRM and HRD arising from the literature. The questionnaire was distributed in Arabic and English to provide an opportunity for those managers who prefer to answer questionnaires in English not Arabic and vice versa.

5.5.2 FORMAT OF THE QUESTIONNAIRE

The questionnaire was designed to ensure that respondents followed precise specified instructions. Answers were indicated by either ticking or circling the appropriate number on Likert-type points scale, and boxes for the other type of questions. Likert-type scales

were mostly used to improve flexibility for the respondents, that is, ensuring that there was a possible variation in scores for every item or question asked. This was felt to be vital, because people's attitudes towards almost everything generally varies along the scale (Al-Kahtani, 1991). Questions, therefore, should provide an opportunity for people to locate responses on the scale, rather than to elicit the more limited responses that are obtained from 'yes' or 'no' types of questions. The questionnaire was divided into sections informing the respondents of the nature of the information requested. This was done in order to provide motivation for the respondents to continue and avoid monotony in completing the questionnaire. The questionnaire did not request any form of personal identification that may have inconvenienced the respondents and jeopardised anonymity. It was felt that such measures would eliminate any threat to the participants that might cause bias in their responses.

The questionnaire was attractively presented, to facilitate ease of response, particularly as it contained reasonable number of questions, with special attention being paid to the first pages (See Appendix A). The aim was to make the introductory questions as simple as possible, to encourage the respondents to continue and complete the questionnaire.

5.5.3 DISTRIBUTION OF QUESTIONNAIRES

The respondents selected for inclusion in this study were those with the classification of general manager or assistant general manager. This sample was selected for the following reasons:

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1. To hold a top position in a company requires one to have many years experience which contributes the most accurate data for a research study.
 2. General managers and assistant managers in Saudi Arabia are those who have both good education and many years of experience which should give them deep knowledge about their companies policies and practices.
 3. Those occupying general and assistant management positions include both Saudi and non-Saudi personnel which has given them a broader view of management in both domestic and international environments.
 4. Because of their position in the different companies, general managers and their assistants have the authority to assist in a research study whereas those in lower management positions may be reluctant to provide information for such a study and therefore would not want to participate, being concerned that disclosure of such information may jeopardise their positions.

5.5.4 MEASUREMENT

Respondents were asked to answer questions by reference to a 5-point rating scale varying from strongly agree to strongly disagree. Some questions were open-ended which allowed the respondents to answer in the terms that they felt were most appropriate for their situation. Other questions asked respondents to select answers from a given list by checking appropriate boxes.

5.5.5 QUESTIONNAIRE ANALYSIS

All data were keypunched, verified, and computerised in order to produce the highest attainable level of accuracy. The questionnaires were edited and coded, using a COBOL coding form for the purpose of computer processing. The analysis was carried out on a personal computer, using the Statistical Package for the Social Sciences Extended Program package (SPSS-X).

5.6 DESCRIBING THE SAMPLE

Previous research studies conducted in Saudi Arabia reported major difficulties obtaining information from Saudi manufacturing firms. The problem is that most Saudi firms are not accustomed to the idea of externally conducted surveys. Many enterprises fear that the release of information about their activities will benefit competitors. Consequently, attempts to investigate Saudi firms have always encountered difficulties: no survey of the type proposed here has therefore been carried out without complications in Saudi Arabia in the past. It was therefore decided that it was necessary to obtain responses from at least 150 general managers or assistants in order to have a reasonable basis for statistical analysis.

After defining the goals of the study in general, the sample was determined. As indicated earlier, the unit of analysis in this study is the general manager or his assistant in Saudi manufacturing industries. The sample companies are located primarily in two major cities, Riyadh and Jeddah. The questionnaire was also distributed to major companies in and the

Eastern Province, a heavily industrialised area in Saudi Arabia. The fieldwork was broad enough to include general managers or their assistants at all Saudi manufacturing industries whose products are appropriate for the global marketplace.

Of the total of 400 questionnaires which were distributed, 248 were returned, of which 25 were not usable, leaving 223 for analysis purposes. The major reasons for the non-response were that most of the general managers or their assistants were very busy, or they were on holiday after the distribution of the questionnaires. This gives a response rate of 62 percent. This was considered adequate, the simple fact being that many people who use a postal method get no more than a 50 percent response rate. The figure achieved was considered adequate for analysis and reporting.

An attempt was first made to ensure that the industrial enterprises were statistically representative of modern business and industry in Saudi Arabia. The participant managers, therefore, had to be selected from Saudi companies. It was recognised that the quality and nature of the sample have a significant influence on the outcome of the research. As a consequence, careful attention was given to this particular aspect of the research. Kerlinger (1986) defined sampling as "taking a portion of a particular population or universe." However, unless a sample is picked at random, the sample cannot be said to be representative of that population or universe. Random sampling, the author maintains, "is that method of drawing a sample of a population or universe so that each member of the population has equal chance of being selected." (ibid.) In a sample drawn at random, therefore, every member has as much chance of being selected as any other member.

Stratified random sampling was used, primarily to ensure that different groups of the population were adequately represented. The use of this method does not imply a departure from the principle of randomness. Nachmias (1981) and Peil (1982) reaffirm the view that stratified random sampling maximises variation between groups and variation within groups.

Because of the specific nature of the study and the need for input from experienced managers, it was decided that the research sample would be drawn from the Saudi companies currently operating in the global marketplace and those who planned to do so in the near future. As an example, part of total population was made up of general managers in ARAMCO, one of the largest oil companies in the world.

The names and addresses of the manufacturing firms were drawn from the Saudi Export Directory (1993-1994), published by the Saudi Export Development Centre which catalogues all firms in the Kingdom. This criterion was used because to make sense of the analysis the firm must have exporting activities. It was decided that the sample should cover different types of industries. Types of industries come under the following sub-group:

- Animal and Agricultural Products
- Food and Beverages
- Metal Products and Transport
- Plastics and Chemicals
- Leather and Textile

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- Furniture
 - Paper Products
 - Building Materials
 - Engineering Products
 - Medical, Consumer Products & Others.

Such information is available in the Saudi Export Directory (1993-1994 2nd ed.).

Several criteria were used in the selection of the sample, notably, that the company: (a) had to be established for at least five years; (b) had to be involved in the international marketplace or had plans to enter such a market; and (c) had to be registered in Saudi Arabia.

5.6.1 DETAILS OF RESPONDENTS

The respondents from oil and non-oil sectors, education, age, years of experience, and size of companies are shown in Table 5.1.

Table 5.1 Social Data and Business Classification -- Total Sample

	OIL SECTOR		NON-OIL SECTOR		TOTAL	
Saudi	51	22.8%	61	27.4%	112	50.2%
Non-Saudi	61	27.4%	50	22.4%	111	49.8%
Higher	27	12.0%	21	9.2%	48	21.2%
University	65	29.5%	81	36.9%	146	66.4%
Secondary	21	9.2%	8	3.2%	29	12.4%
Age (Years)						
< 30	17	7.6%	6	2.7%	23	10.3%
30 - 40	45	20.2%	42	18.8%	87	39.0%
40 - 50	37	16.6%	36	16.1%	73	32.7%
> 50	14	6.3%	26	11.7%	40	18.0%
Years of Experience						
< 5	33	14.8%	46	20.6%	79	35.4%
5 - 15	50	22.5%	46	20.6%	96	43.1%
> 15	29	13.0%	19	8.5%	48	21.5%
Size of Company						
International	34	15.2%	8	3.6%	42	18.8%
Multinational	65	29.2%	21	9.4%	86	38.6%
Global	74	33.2%	21	9.4%	95	42.6%

Oil and Non-Oil Sectors

Respondents were selected at random from oil-related and non-related companies doing business in Saudi Arabia. Oil companies are defined as those companies involved with exploring, drilling, refining, and marketing of crude oil and companies that are engaged in production of products derived from oil such as gasoline, motor oil, gas, chemicals, plastics, and fertilisers. These products are derivatives of crude,

making full use of the resource. Selection of respondents from this sector was for the purpose of obtaining data from managers, most of whom have had vast experience in management, and who could be viewed as being experts in their field because of their knowledge and experience.

Non-oil companies are defined as those involved in the manufacture of products not oil based. Examples of the different resources include: iron ore, limestone, steel, cables, aluminium, cement, agricultural products, and various services such as financial institutions. The non-oil sector of business and industry was selected as part of this research believing that management would have a significant understanding of the market in which they offer their products and services, and who were most likely to want to enter the global marketplace for growth, expansion, and higher profits than currently being derived from the domestic marketplace. The products for potential global marketing include a wide variety of consumer products for household and personal use, as well as surplus food products.

Saudi and Non-Saudi Respondents

Respondents included Saudi and non-Saudi managers. Non-Saudi managers are often referred to as expatriates as they are employed by companies in Saudi Arabia for the expertise that they can contribute to the company. Expatriates are men from various countries, employed on contract to work in Saudi Arabia for a specific length of time. At the end of the contract, unless renewed, the expatriate returns to his home country. These expatriates are placed in management positions because of their expertise,

knowledge and experience. Saudi companies benefit from their expertise which is transferred to Saudi personnel over time so that at the end of the manager's contract, in most cases, a Saudi is placed in the management position under the plan for Saudiisation. This minimises the need for expatriate workers in the country. The respondents represented many different types of business and industry currently in operation in the Kingdom, some of whom even had knowledge and experience in the international marketplace.

Education

Education was assumed to play an important and significant role in achieving management status in the various organisations. Education was also considered as giving the respondents greater expertise in their fields and therefore would have a better understanding of the use of questionnaires in the field of research. At the same time, it was assumed that those in management positions with higher education would be more familiar with the subject matter of this study.

The data revealed that the assumptions were true as the majority of respondents in both the oil and non-oil sector indicated they had university and higher degrees. Those with a university degree in the oil sector were 65, and 81 from the non-oil sector. The overall results indicated that the respondents did have a wide range of education levels which supported the view that they were highly qualified in their positions and that their education contributed to their ability to manage.

Age

It was assumed that age would be a strong influence on the responses to the questionnaires. Age, therefore was viewed as being a factor in the overall credibility of the responses as those who over 30 years of age would have significant knowledge and experience in the business compared to younger men who perhaps had not been in the workforce for any length of time. In most organisations in Saudi Arabia, those who are older are usually placed in management positions because it is believed that age provides experience that one can only gain through time on the job. Younger managers may have a lot of knowledge regarding their fields, but in most cases would have limited experience in the management field, and therefore would be less familiar with the subject matter of this study.

The research benefited from the education, knowledge and experience of those who were older. However, there were only 17 respondents under the age of 30 in the oil sector and only six were reported for the non-oil sector. A total of 14 were over 50 in the oil sector, and 26 in the non-oil sector. This number was probably influenced by the fact that many men retire at the age of 55.

Experience

Experience is a major factor in management positions. As indicated above, in most cases, years of experience are required before one is given a management position unless the position is in a specialised field and the position gained based on education rather than experience. However, it was assumed that men would not be placed in

management positions unless they had significant experience which would be valuable for a research study because they would have gained knowledge that would benefit the research and contribute to the subject matter of this study. This assumption was supported as the majority of respondents indicated between five and fifteen or more years of experience.

Saudi respondents from the oil sector included 51, and 61 from the non-oil sectors. Non-Saudi from the oil sector totalled 61, and 50 were from the non-oil sector. The respondents are representative of the different types of business and industry in Saudi Arabia, and include those that have had experience exporting products, and those who plan to do so in the future.

Size of Company

The companies were identified as being in either international, multinational, or global business. Because oil is an important resource for Saudi Arabia (See Chapter 4), the majority of companies were either multinational or global. In the non-oil sector, only eight were reported as being international with 21 for both multinational and global companies.

As reported in Table 5.1, the respondents included both Saudi and non-Saudi in the oil and non-oil sectors. They 'qualified' to participate in this study because of their education and experience. The respondents were also relatively diverse with the majority of companies being in the oil sector. With their levels of education and experience, the respondents are viewed as being an excellent source for the kind of information needed by this study. It was

believed that because the oil companies have been in business for some time that they could serve as a meaningful resource of experience that would benefit managers in companies in the early stages of globalisation, and those planning to do so in the future.

5.7 DATA COLLECTION

The process of data collection started in July 1994. The researcher, with the help of his supervisor, contacted the Saudi Education Mission in London to help pave the way for data collection in Saudi Arabia. The researcher received approval to undertake the study at the end of September 1994. It was at this time that the collection of data actually commenced.

The researcher arrived in Saudi Arabia and administered the questionnaire under University control, and translated the questionnaire into Arabic and presented it in a readable format (See Appendix B). The researcher contacted all the companies to make sure they were willing to participate in this study. The researcher then travelled to the major cities, Riyadh and Jeddah, and the Eastern Province where those industries operate to distribute the questionnaire to the firms. The researcher then met the companies' general managers or their assistants in the Eastern province (where the researcher lives), giving them the questionnaires, and explaining the goals of the study. Although collecting the questionnaires from the companies was arduous and expensive work, it was necessary in order to get the required level of response. Oppenheim (1966) quoted in Al-Kahtani (1991: 165-166) asserts this fact, stating that "this method of data collection ensures a high response, accurate sampling and a minimum of interview bias, while permitting interview

assessments, providing necessary explanation and giving the benefit of a degree of personal contact.”

Hence, the fieldwork took place between the 20th July, 1994 and the 20th September, 1994. The first mailing of the questionnaires took place on the 20th July, 1994 following receipt of permission from the Riyadh Chamber of Commerce and Industry which covers the whole Kingdom. On 10th August, 1994 the researcher went to the city of Jeddah for three days to explain to the companies the goal of the questionnaire which they received. The same strategy was used for manufacturing firms in Riyadh and the Eastern Province. An official follow-up letter from King Faisal University and a further questionnaire were distributed to non-respondents from Jeddah and Riyadh. An official follow-up letter from the Chamber of Commerce & Industry was sent to industries in the Eastern Province. Questionnaires were also hand carried to the Public Relations Department of ARAMCO (A sample of the Public Relations Department letter to ARAMCO is shown in Appendix C).

Other factors that encouraged the researcher to use this method included:

1. A letter of introduction had already been supplied by King Faisal University to all the companies, telling them about the researcher and objectives of the study.
2. The researcher had the approval of all the companies used in the sample.
3. The researcher considered that to use a postal questionnaire would not obtain an adequate response.

The questionnaire was sectioned in order to provide motivation for the respondent to continue and to interrupt any possible monotony in responding, thus giving an impression of answering short sections, rather than a long questionnaire. The most significant constraint was the need to have the questionnaires returned as quickly as possible. Telephone calls were made to the top management of each company and sending of faxes in Arabic and English to those indicating they had not received the questionnaires or had misplaced them.

The following procedures were used to collect the data for this study:

1. The researcher met with the Director of Research at the Chamber of Commerce & Industry in Riyadh for a letter to be prepared requesting all companies (in the three major cities) to co-operate in responding to the questionnaire with the right information and return them as quickly as possible. Furthermore, another letter was sent by the vice-secretary-General of the Chamber of Commerce and Industry to encourage those companies in Eastern Province to respond to the questions and return the questionnaire as soon as possible. Follow-up letter was sent to all non-respondents with a similar content to the original mailing, including a copy of the questionnaire (in both Arabic and English).
2. The letter was enclosed with the questionnaire requesting the co-operation of managers, and explaining the purpose of the questionnaire, together with an instructional note on how to fill it out.
3. To reduce the hesitation of the participants in answering the questions, several steps were taken: first, the researcher assured the respondents that their answers would only

be used for the sole purpose of this research and the responses would be confidential.

Second, the researcher reminded the participants that such studies are important to the development of human resources in Saudi firms and would help prepare them for participation in the global market.

4. Two copies of the questionnaire (Arabic and English) were sent to each firm with the request to general managers to fill out one of them. Assistants to general managers were asked to respond in case of the unavailability of their general managers.
5. A stamped envelope was included with every questionnaire for return to the researcher.
6. The questionnaire was collected by one of three ways: (a) return to the researcher's mail box, (b) to the researcher, addressed to the King Faisal University, College of Management Science and Planning, or to the researcher at the Chamber of Commerce & Industry, the Eastern Province, for those companies operating in the province.
7. The researcher gave the participants a telephone number and address so that they could call for assistance in understanding ambiguous question, or for obtaining results and findings of study.

5.8 FACTORS INFLUENCING RESPONSES

The influence of religion, traditions and customs permeate all aspects of Saudi society including business and industry. Saudis are very sensitive to feelings of others and this is carried over in doing business. This is one of the most important characteristics of Saudi society which stems directly from Islam. It is essential for researchers to be equally sensitive working with Saudis to avoid misunderstandings..

Meaningful research studies depend on selecting the right method, asking the right questions, and picking the most effective method for collecting data. The right questions and the best methods to apply to research studies conducted in Saudi Arabia are likely to be those which take into account the religion and traditional values which have shaped so many aspects of that society.

5.8.1 LACK OF AWARENESS OF THE VALUE OF TIME

Time is relatively unimportant in most Arab countries and Saudi Arabia is no exception. Consequently Saudis do not budget their time in the same way as western societies. Time is perceived as a much more flexible commodity. Therefore, Saudis do not like to be hurried as "haste comes from the devil," according to an ancient Arab proverb. As a result, self-control is a very important consideration for researchers conducting studies in the Kingdom as responses to questionnaires require additional time to be returned. To pressure respondents for the data could result in not obtaining meaningful results.

5.8.2 PERSONAL RELATIONSHIPS

One of the most essential factors in conducting research in Saudi Arabia is to establish trust between the researcher and the respondents. This may take a relatively long time but it is fair to say that when an Arab eventually puts trust in a person he will do so with commitment and gladly help in providing information. In Saudi society, personal relationships and connections are vital. If the researcher does not have a good personal

relationship with the company and its management, he will not be able to collect information on his own. To support this statement, Al Waji (1971: 226) reported that "Bureaucratic behaviour in Saudi Arabia is, in the main, formalistic." Therefore, it seems clear that having and using personal relationships and connections are necessary to gather as much information. To overcome these problems, the assistance of the Chamber of Commerce and the King Faisal University was obtained.

5.9 JUSTIFYING THE METHODOLOGY

Research studies are conducted for the purpose of obtaining data that is not available from other sources regarding a specific area of knowledge. Obtaining empirical data can be done in many different ways. Those most common methods include case studies, surveys, observations, interviews (personal or by telephone), and questionnaires. The method selected depends on the goals and objectives of the research, the sample of respondents involved, time set for the completion of the study, and monetary considerations.

The instrument selected to collect primary data for this research was the use of the questionnaire. The use of questionnaires is the most commonly used survey method as they have many advantages. The greatest advantage is the fact that they can be distributed to large numbers of respondents. A wider range of respondents gives greater credibility to the data collected. Another advantage is that hypotheses can be designed for testing based on the data received from respondents. The data collected

can be quantified and measured using a number of different measuring methods including computerised programmes. Analysing the data and supporting the hypotheses is an easier task working with data from a well designed questionnaire. The data can be analysed extensively because it is written which is an advantage for the researcher.

Another important factor in support of questionnaires is the fact that respondents are anonymous which enables him or her to respond more freely. This has a positive effect on the credibility of the research as the data gathered is believed to be representative of the respondent's knowledge of the subject.

Time is also an important factor when conducting a research study. Personal interviews and observations require an extensive amount of time and energy. A researcher can minimise the time factor with the use of the questionnaire, while at the same time, reaching larger numbers of request return within a short time. Respondents view research studies in a more favourable light if they can reply to the questions at their convenience. The questionnaire was viewed as being the preferred instrument for this study because a large number of respondents could be contacted without taking the time to make personal contact and arrange personal interviews. At the same time, respondents could complete the questionnaire when it was convenient for them to do so, and being without identification, it is believed that the responses to the questionnaire were more reliable than responses that one may get during a personal interview.

Another issue in favour of the questionnaire is that it is the least costly method. When questionnaires can be delivered personally to an organisation mailed directly to individuals, the cost is less than that which would be required interviewing by telephone, or travelling to make personal interviews.

Use of the questionnaire also has the advantage of overcoming many cultural factors. It is part of the Arab culture that information regarding the family or business should not be discussed outside the boundaries of the family or the company as such matters are viewed as being very private. In the case of Saudi Arabia, for example, managers of public and private companies are not accustomed to being questioned about their company or their ability as a manager. Such information is viewed as being confidential and therefore should be classified as being confidential. The responses to the questions hold greater credibility as respondents do not have to identify themselves or their company.

It is acknowledged that questionnaires have some disadvantages. The primary one is the fact that if 500 questionnaires are distributed, only 200 may be returned to the researcher. Some questionnaire cannot be used because the respondent has not followed the instructions, or has failed to respond to significant questions. The total number of usable questionnaires may be less than planned, but which will have to be used due to time constraints.

5.10 SUMMARY

The main purpose of this chapter has been to discuss and present the main elements of the research design, in an effort to shed light on the Saudi manufacturing industries whose products are suitable for the global marketplace to participate in the study. Ultimately with the objective of collecting data from 400 managers of these companies. The methodology selected for this study was the use of questionnaires presented to general managers or their assistants in Saudi exporting industries. A total of 223 responses were analysed. A questionnaire was used, with 47 items falling into four categories: The managers' background, HRM, company international perspective and the international T&D of managers. Certain problems in collecting the data were identified because of their possible impact on responses.

The chapter began by describing the contents of the chapter, followed by the research objective. The theory and then the hypotheses were designed to support the objectives of the study. Further details were then presented with regard to the questionnaire, its administration and the items included in the questionnaire, followed by details of the samples, the data collection, and the factors influencing responses.

Chapter 6, "Examining the Importance of HRD: Data Analysis I", presents an analysis of the data obtained from the questionnaire. The data analysed was limited to information regarding the respondents such as age, experience, and education. In this analysis the one way ANOVA and Mann-Whitney tests were used. The objective of

this section of the questionnaire focused on the respondents knowledge of HRM and HRD. The results were divided by age, nationality, level of education, years of experience, type of industry, and type of company. These factors were related to statements regarding HRM and HRD for the purpose of testing the hypotheses relative to these subjects. The goal was to gain information regarding the respondent's knowledge regarding HRM and HRD, for the purpose of identifying their importance relative to entering the global marketplace. The objective was to achieve a highly diversified data base for an understanding of the relationship of HRM and HRD to management in the different industries.

CHAPTER 6

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CHAPTER 6 EXAMINING THE IMPORTANCE HUMAN RESOURCE DEVELOPMENT: DATA ANALYSIS I

National differences affect the extent to which personnel management in different countries develops along common or similar lines. In turn, this affects, on the one hand, how far a company can apply common standards and practices in its human resource management to give all international employees a common frame of reference. And on the other, how far a company's HRM needs to be responsive to national differences. (Hendry, 1992: 121-22)

6.1 INTRODUCTION

This chapter has two general aims: first, to examine the differences between managers in how they attach importance to HRM and HRD in Saudi exporting companies. Second, to outline appropriate HRM/HRD policies and practices for the domestic environment in general and the global environment in particular.

In this chapter the following “biographical” details are examined; age of managers, nationality (Saudi and non-Saudi), level of education (Higher, University and Secondary), and years of experiences (< 5, 5-15 and > 15). In addition, type of industry (Non-oil and Oil companies) and type of company (International, Multinational and Global) are analysed. It is envisaged that there would be significant differences between groups; for example, older managers would rate T&D higher than managers under 30 years of age. It is hypothesised that there will be statistically significant differences between multinational and global companies regarding HRM policies and practices. Likely variations within and between the various elements of HRM and HRD must now be discussed.

To examine whether the variables in the sample were normally distributed Kolmogorov-Smirnov tests were conducted. The sample of this study was non-normally distributed and the error may be large and cannot be estimated accurately.

The variables were measured on a 5-point scale and consequently the distributions had no tails and there was a tendency for skewness towards the “agree/strongly agree” end of the response range. An evaluation was made of non-normality for all variables (B1 - B23). Further analysis indicated that this non-normality showed itself as significant skewness or significant kurtosis, or sometimes both in the distribution. It is therefore valuable to use a test in which assumptions about normality do not need to be made about the sample. Whilst, one-way ANOVA tests were performed for more than two groups, the Mann-Whitney non-parametric test was used for only two groups (Zikmund, 1991: 523). For example, one-way ANOVA tests were used for statistical significance among several group means; whereas, the Mann-Whitney test compares the central location of the observed sample split into two groups.

One of the advantages of the one-way ANOVA test on data not normally distributed is that a Scheffé multiple comparison procedure can be carried out to give a conservative estimate of group means which are significantly different from one another.

6.2 AGE, NATIONALITY, QUALIFICATION, EXPERIENCE, TYPE OF INDUSTRY AND TYPE OF COMPANY: ONE-WAY ANALYSIS OF VARIANCE (ONE-WAY ANOVA) AND MANN-WHITNEY

One-way Analysis of Variance and Mann-Whitney tests are used to establish statistically significant differences based on age, nationality, level of education, experience, type of industry and type of company. Table 6.1 summarises the results, from question B-1 to B-23, (See Appendix A) with significant differences for each of the six factors. Each of above factors is analysed separately according to its level of significance (See Table 6.1).

The One-way ANOVA and Mann-Whitney techniques were used to examine all HRM items (see Appendix A -- section B) to identify the significant relationships between groups by age, nationality, level of education, experience, type of industry and

company. Table 6.1 summarises the results for each statement separately which were also tested for significance by means and central location. For those items which had no differences in each of the six factors such as B42, B6, B8, B11, B15, B20 and B21 this signifies that the sample agreed with these items but had no impact on such responses.

Table 6.1 Summary from Question B-1 to B-23 With Significant Differences for Age, Nationality, Qualification, Experience, Type of Industry and Type of Company

Variables	B1	B2	B3	B4-1	B4-2	B5	B6	B7	B8	B9	B10	B11
Age	NO	NO	YES	YES	NO	YES*	NO	NO	NO	NO	YES	NO
Nation	NO	NO	YES	YES	NO	NO	NO	NO	NO	NO	NO	NO
Qualifi	NO	NO	YES	YES	NO	NO	NO	NO	NO	NO	NO	NO
Exper	YES	YES	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Industry	NO	NO	NO	NO	NO	NO	NO	NO	NO	YES	YES	NO
Company	YES	NO	YES	NO	NO	NO	NO	YES	NO	NO	NO	NO

Variables	B12	B13	B14	B15	B16	B17	B18	B19	B20	B21	B22	B23
Age	NO	NO	YES	NO	NO	NO	YES*	NO	NO	NO	YES*	YES
Nation	NO	YES	NO	NO	NO	NO	NO	NO	NO	NO	YES	NO
Qualifi	YES	YES	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Exper	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Industry	NO	NO	NO	NO	YES	NO	NO	YES	NO	NO	YES	NO
Company	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO

No: no significant difference between the groups of all variables at 5 percent level.

Yes: a significant difference between the groups of all variables at 5 percent level.

* Age groups divided into two groups (Younger and Mature Managers).

6.3 AGE AND HRM

One objective of the research was to compare managers' differences of opinion based on age. It was hypothesised that managerial perceptions of HRM would tend to vary with age. In particular, older managers were expected to rate items, such as T&D, higher than the other groups, because older managers should better perceive the benefits of T&D. To examine HRM policies and practices, the sample was divided into four groups. Group one, those managers who were less than 30 years of age, Group two, 30-40 years of age, Group three 40-50 years of age, and Group four, those over 50 years of age.

Table 6.2 presents on age profile of managers in Saudi exporting companies and shows that the majority of managers (39.0 percent) were between 30 to 40 years of age, 32.7 percent were between 40 to 50 years, 18 percent were over 50 years, and only 10.3 percent were less than 30 years of age. From this table most of the managers may be considered to be modestly middle age (30-50). Responses of middle aged managers were viewed as being important because of their experience and knowledge of company policies and procedures.

Table 6.2 Sample Distribution According to Age

Age of Managers	Frequency	Percent
Less than 30 Years	23	10.3
30-40 Years	87	39.0
40-50 Years	73	32.7
More than 50 Years	40	18.0
Total	223	100

6.3.1 AGE AND THE SUCCESS OF HRM: ONE-WAY ANALYSIS OF VARIANCE

Based on age, the one-way ANOVA identified five items which had significant differences between groups (Table 6.3). As indicated in the first chapter, managers are the key area to be studied. Therefore, it is of paramount importance to describe and understand the attitudes and behaviour of the managers and how they respond to fundamental statements of HRM from a domestic and global perspective. This establishes a new basis for IHRM and prepare managers to manage in a global environment.

Table 6.3 Differences By Four Age Groups According to HRM Policies and Practices

HRM Items	Significance
B3. Human resource manager is responsible for co-ordination of company training & development.	.0012
B4-1. General managers require specific training and development for a multicultural environment.	.0124
B10. HRD is part of HRM function in the organisation.	.0208
B23. Managers should respond to the increased diversity at all levels of the work force both locally and internationally.	.0242
B14. Training plans will become more relevant to organisational objectives if HRM links with HRD.	.0424

The Scheffé test is conservative in the sense that if the overall F test is not significant then the Scheffé test will not find as significant any comparison between two individual group means (at the same level of significance). For example, the Scheffé test indicated that at the 0.05 level, there was no significant difference between two groups regarding statements B10, B23 and B14 (see Table 6.3).

For the first item there was a significant difference in responses between age groups. The group means are presented in Table 6.4. Group 2, age 30-40, achieved the highest

score for this item, followed by Group 3, followed by Group 1, and Group 4 had the lowest score. There was a significant difference between the mean scores of Group 2 and Group 4 using the Scheffé multiple comparison test at the 0.05 level. This seems to indicate that older managers tend to prefer a separation of job function between the traditional personnel manager and training manager (officer). Younger managers however, seem to recognise that the human resource manager is responsible for co-ordination of company T&D.

Furthermore, the literature suggests that effective management of human resource should be a major goal of organisations, whether international or domestic (Scullion, 1992). There is some evidence to suggest that business failures in the international arena may be linked to poor management of human resource (Scullion, 1992; Desatnick and Bennett, 1978). This highlights a firm's need to consider the fit between its international business objectives and its resource policies (Barham and Devine, 1991).

Table 6.4 Significant Variations of the Age Groups

	< 30	30-40	40-50	> 50
HRM Items	Group 1	Group 2	Group 3	Group 4
Item # B3	4.1429	4.4651	4.1471	3.8205
Item # B4-1	3.9048	4.5233	4.4225	4.3590
Item # B10	4.5238	4.3372	4.0423	4.2632
Item # B23	4.0476	4.4651	4.4085	4.2368
Item # B14	4.1905	4.3023	4.0143	4.0541

Scale 1 (strongly disagree) - 5 (strongly agree)

Item B4-1 indicates that general managers require specific T&D for a multicultural environment. Group 1 had the lowest mean, followed by Group 4, and then followed

by Group 3. However, Group 2 had the highest mean. There was a significant difference between the mean scores of Group 1 and Group 2 using the Scheffé multiple comparison test at the 0.05 level. This in some way indicates that international T&D for younger managers were not considered essential, although such T&D was clearly considered important in the literature pertaining for successful assignments of individuals abroad.

In addition, Group 1 indicated that employees below the level of management do not need such T&D in a multicultural environment. For this item, they had a substantially higher mean than the other groups, but it was significant at 0.0542 rather than the preferred 0.05 level.

According to Item B10 where the HRD is part of the HRM function in the organisation, Group 1 had the highest mean score, Group 2 the second highest score, Group 4 the third highest score, and those in Group 3 received the lowest score. The Scheffé test indicated that at the 0.05 level, there was no significant difference between any two groups. Table 6.4 shows that all groups accepted the idea of having a HRD manager concerned with enhancing and widening HRM policies and practices (Al-Qahtany and Jones, 1995).

In an attempt to establish managers' opinion about their willingness to respond to the increased diversity at all levels of the work force, one-way analysis of variance was carried out on the four groups with regard to item B23. Group 2 (30-40 years) had the highest score for this item, followed by Group 3 (40-50 years), followed by Group 4 (over 50 years), and Group 1 had the lowest mean score. The results are set out in Table 6.4, where it is clear from the responses of the managers that the agreement on this item were high among the four groups. This seems to indicate that managers in Saudi Arabia give attention to an uncertain and complex environment.

It was suggested in item B14 that training plans will become more relevant to organisational objectives if HRM is linked with HRD. The results show that Group 3 had the lowest score, followed by Group 4, followed by Group 1, and Group 2 had the highest score. As presented in Table 6.3, there were significant differences between those groups at 0.05 level. The low score in Group 3 and 4 suggests that older managers do not accept the idea of separating the job functions which make the organisation more successful. However, having such perception might lead to a lack of knowledge about the primary functions of HRM.

6.3.2 AGE AND THE SUCCESS OF HRM: MANN-WHITNEY

Looking at the four age groups separately allows examination of all possible differences between age groups responses. This may include the scenario in which, for example, the younger and older age groups responses are higher than those of the two middle age groups. If the youngest two groups and oldest two groups are combined, the analysis is restricted to consideration of a linear trend across the two composite age groups, young managers and mature managers. However, by combining the four groups in two groups, the testing procedures benefit from the use of larger sample sizes.

When discussing parametric statistical tests, it is usual to consider differences between group means. When considering non-parametric tests, it is customary to refer to tests comparing differences in central location since, in non-parametric statistics, the mean of the sample is not calculated. When the dependent variable takes only a restricted number of values or its distribution is skewed, it may be preferable to employ a non-parametric procedure for testing differences in central location instead of the usual parametric test. For example, instead of using the one-way ANOVA (or its equivalent for just two samples, a two sample t-test), the Mann-Whitney test should be used.

In an attempt to find further significant HRM items the Mann-Whitney test was used with the sample divided into two subsets; Group 1 and Group 2 combined being classified as young managers whilst Group 3 and Group 4 are mature managers. There were three items which had significant differences at the 0.05 level.

Table 6.5 shows that younger managers rated their human resource strategy considerably higher than their mature managers counterparts (see item B5). However, the difference between two groups was almost the same, but it was significant at the 0.05 level. This may suggest that mature managers need to understand that effective management of human resources is increasingly being recognised as a major determinant of success or failure. Therefore, human resource strategies must be linked to the strategic evolution of the firm (This was indicated in the literature by Scullion, 1992). Dowling et al. comment on this situation stating:

Without the growth of human resource as a strategic resource within a corporation, it will be difficult to secure the long-term strategic future of the corporation, even though financial resources might be adequate. (Dowling et al., 1994: 43)

According to item B18, younger managers had a far more positive attitude as to how the shortage of managers with adequate skills, knowledge, and sophistication to operate in a dynamic environment can be the greatest constraint when entering the global marketplace. These differences may have arisen because Saudi companies are clearly failing to take effective action to ease the shortage of international managers in the past. This may indicate that these companies had not responded to the shortage of international managers by attempting to identify managers of high potential at an earlier stage in their career and by giving them international experience at a younger age. As established earlier, there was a significant difference between young managers and older managers in regard to essential HRM statements.

Table 6.5 Young Managers and Mature Managers regarding Significant HRM Statements

HRM Items	Young Managers	Mature Managers	Signif
B5. Human resource strategy must be linked to the strategic evolution of the firm.	4.3883	4.2407	.0374
B18. The greatest constraint when entering the global marketplace is the shortage of managers with adequate skills, knowledge, and sophistication to operate in a dynamic environment.	4.1132	3.8073	.0251
B22. Training and development are subsystems of human resource management.	4.3645	4.1182	.0029

Scale 1 (strongly disagree) - 5 (strongly agree)

Item B22, which stated T&D are subsystems of HRM, younger managers scored higher than mature managers. This is attributed to the fact that younger managers had a better understanding of the importance of T&D being integrated into HRM policies, to ensure that needed skills are available for managers at the time they will be needed.

Table 6.6 shows those statements (B3, B4-1, B10, B23 and B14), which were tested in Table 6.3, broken down into four age groups. These statements, however, in Table 6.6 have been retested, broken down into two groups (Young and Mature Managers). The results in Table 6.6 indicate that there were only three statements (B3, B10 and B14) that were significant at the 0.05 level. These results indicate that there was a tendency for respondents in the young managers group to score higher than respondents in the mature manager group.

Table 6.6 Retest of the Statements that have been Listed in Table 6.3 According to Young and Mature Managers

Items Listed in Table 6.3	Means Variation by		Significance
	Young Managers	Mature Managers	
B3	4.4019	4.0280	.0021
B4-1	4.4019	4.4000	NS
B10	4.3738	4.1193	.0157
B23	4.3832	4.3486	NS
B14	4.2804	4.0280	.0035

NS: Not Significant

Statements significant in Table 6.6 (B3, B10 and B14) were not further considered because they had been discussed in relation to Table 6.3 and Table 6.4. Primarily, it would appear that the significant results obtained from statement B4-1 and statement B23 in Table 6.3 were due to a large difference between the scores for Group 1 compared with Group 2 and Group 3 (See also Table 6.4). However, when the data for Group 1 and Group 2 were combined for the analysis presented in Table 6.6, there was a balancing out of the data which resulted in a non-significant result when comparing the means of the young manager and mature manager groups.

Table 6.7 shows responses to statements (B5, B18 and B22) which have already been tested in Table 6.5 broken down into two groups (Young and Mature Managers). These statements, in Table 6.7 have now however been retested and broken down into four age groups (< 30, 30-40, 40-50 and > 50). The results in Table 6.7 show that none of these statements was significant at the 0.05 level.

Table 6.7 Retest of the Items that have been Listed in Table 6.5 According to Four Age Groups

Items Listed in Table 6.5	Means Variation by Four Age Groups				Significance
	Group 1 < 30	Group 2 30 - 40	Group 3 40 - 50	Group 4 > 50	
B5	4.5500	4.3494	4.2174	4.2821	NS
B18	3.9500	4.1512	3.7606	3.8947	NS
B22	4.3333	4.3721	4.0845	4.1795	NS

NS: Not Significant

Responses in Table 6.7 indicate that there is a tendency for scores in each of the statements to be higher in the young managers group than in the mature manager group. However, these differences are not significant when considered overall. As shown in Table 6.5, when Group 1 and Group 2 were merged to form the “young manager” group, and Group 3 and Group 4 were merged to form the “mature managers” group, the increased sample size available for the single test of a difference between the new groups helps contribute to the observed significant result for all three statements.

6.4 NATIONALITY AND HRM

The GCC countries in general, and Saudi Arabia in particular, have been heavily dependent on expatriate managers. MEIRC (1989) found that the GCC countries share a dependence on expatriate manpower. Approximately 73 percent of the total labour force are expatriates, though 53 organisations represented in this study had a rate of around 55 percent. A recent study of the largest Saudi companies (SABIC) found that 60 percent of SABIC's managers were Saudi and 40 percent were non-Saudi. This might encourage Saudi managers to gain global management expertise

through foreign work experience. However, developing global management expertise is an “ongoing endeavour in which managers constantly learn and improve.” (Mendenhall et al., 1995: 27)

The difference in age of respondents is also relevant to the managers’ nationality. It was hypothesised that non-Saudi managers would be more aware of the importance of HRM activities than Saudi managers. The central concern is that the existence of non-Saudi managers may help Saudi managers to gain global skills and knowledge. Nationality was divided according to Saudi and non-Saudi groups. The Mann-Whitney test was used to identify significant differences between the two groups with regard to their views on HRM activities.

6.4.1 NATIONALITY AND MANAGERIAL THINKING: ONE-WAY ANALYSIS OF VARIANCE

When the dependant variable takes only a restricted number of values and its distribution has no tails, or when distribution is skewed, it cannot be middled by the normal distribution which is symmetric and has tails which extend to plus and minus infinity. It may, therefore, be preferable to employ a non-parametric procedure for testing differences in central location instead of the usual parametric tests (Sprent, 1989). For example, instead of using the two sample t-test (or its equivalent for just two samples, a one-way ANOVA), the Mann-Whitney test may be used.

To identify further significant HRM items, a Mann-Whitney test was carried out to establish statistically significant differences in central location based on nationality. Table 6.8 contains the HRM statements with significant differences for Saudi and non-Saudi managers. Nevertheless, the evidence was unambiguous as Saudi managers rated HRM activities higher than non-Saudi managers (see below).

Table 6.8 Managerial Thinking Differences, By Nationality

HRM Items	Saudi	Non-Saudi	Sign.
B3. The human resource manager is responsible for co-ordination of company training & development.	4.3611	4.0648	.0176
B4-1. General managers require specific training and development for a multicultural environment.	4.5273	4.2661	.0266
B13. Human resource development manager is responsible for providing international managers with skills & competencies.	3.9245	3.5000	.0032
B22. Training and development are subsystems of human resource management.	4.3364	4.1376	.0463

Scale 1 (strongly disagree) - 5 (strongly agree)

For item B3, there were significant differences between Saudi and non-Saudi managers at 0.05 level of significance using the Mann-Whitney test (Table 6.8). The scores of non-Saudi managers were lower than their Saudi manager counterparts. Table 6.9 shows that Saudi managers responded to this statement with an approval rate of 45.8 percent (strongly agree and agree), while the approval rate of non-Saudi managers was only 40.7 percent. However, such approval indicates that Saudi managers accept the idea that the human resource manager is responsible for the co-ordination of company T&D.

In total twenty nine respondents, 13.5 percent, had no opinion, disagreed or strongly disagreed with the above item. In this case it can be said that Saudi exporting companies are already engaged in cross-border mergers and acquisitions. So, if the companies have co-ordination between their top management and human resource managers regarding their managers' development and preparation for the borderless world, this will increase their ability to operate successfully in international markets:

In terms of sectoral adjustment, increasing firm size and concentration, and the development of European firms will require HRM responses [co-ordination] at both the company and institutional level. (Kirkbride, 1994: 111)

The literature indicates that the existence of HR managers is essential to make the planning of T&D more active, and to ensure that skills are available at the time they will be needed (Klatt et al., 1985).

Table 6.9 The Human Resources Manager is Responsible for Co-ordination of Company T&D

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Total
Saudi	53 24.5%	46 21.3%	4 1.9%	5 2.3%		108 50%
Non-Saudi	39 18%	49 22.7%	9 4.2%	10 4.6%	1 .5%	108 50%
Total	92 42.5%	95 44%	13 6.1%	15 6.9%	1 .5%	216 100%

$Z = -2.3739$ at 0.05 level of significance = 0.0176.

Item B4-1 examines opinions about the extent to which general managers require specific T&D for a multicultural environment. According to the nationality there was a significant difference between Saudi and non-Saudi managers with regard to the above item. Saudi managers scored 4.5273, while non-Saudi managers scored 4.2661. Storey suggests that “the need for expatriate training becomes clear if we understand the complexity of the role of the parent country national manager.” (Storey, 1995: 367) Therefore, it is worth noting that non-Saudi managers did not recognise the complexity of the Saudi environment, while Saudi managers believe that such training is necessary for those who work in different cultures.

Item B13 states that the HRD Manager is responsible for providing international managers with skills and competencies. For this item Table 6.8 shows that non-Saudi managers had the lowest score, while Saudi managers had the highest. This difference between the two groups shows that Saudi managers are more aware of the need for training and HRD responsibility. Coleman claims that “HRD is not merely a buzz

word to hang on someone's office door, or to justify a promotion, or to create a new empire, but it truly has a place in today's progressive business world." (Coleman, 1987: 26) Thus, the HRD manager should ensure that all activities remain relevant to the organisation's business aims as well as responding to the individual learning needs of the managers involved:

In a growing number of companies HRD is a critical success factor, perhaps the only source of sustainable competitive advantage over the longer term. (Coulson-Thomas, 1992: 94)

Item B22 states that T&D are subsystems of HRM, Saudi managers again had a higher score than their non-Saudi manager counterparts. Although there was a substantial difference between the mean of Saudi and non-Saudi managers, this differences in responses were significant at the 0.05 level. An alternative explanation is that non-Saudi managers have not yet changed their designation from T&D to HRD, and they perhaps would not accept the concept of this item. However, the literature suggests that responsibility for T&D lies within the HRM department (Megginson et al., 1993).

It was proposed that non-Saudi managers would respond more positively to the importance of HRM policies and practices than their Saudi counterparts. Instead of Saudi managers scoring lower than their non-Saudi counterparts on the statement listed in Table 6.8, they actually scored significantly higher. There are three possible explanations; first, Saudi managers were generally more positive about HRM policies and practices in their organisations. Secondly, non-Saudi managers, by chance, happened to be employed in organisations which were actually not as large as their home organisations. Thirdly, non-Saudi managers were more critical of HRM policies and practices in Saudi organisations than Saudi managers. Such findings are important and discussed more fully in Chapter 8.

6.5 SAMPLE DISTRIBUTION ACCORDING TO QUALIFICATION

The results according to the level of education achieved by the sample of managers in Saudi Arabia are shown in Table 6.10. There were 48 managers (21.5 percent) with higher education (Ph.D. and Master of Business Administration), while a high number of the managers, 146 (65.5 percent), held university degrees and only 29 managers (13 percent) had secondary education. This shows that most of the managers working in manufacturing industries in Saudi Arabia have high educational levels.

Table 6.10 Level of Education of Saudi Company Managers

Level of Education	Frequency	%
Higher	48	21.5
University	146	66.5
Secondary	29	13.0
Total	223	100

6.5.1 EDUCATIONAL QUALIFICATION AND HRM

It was proposed that the level of education would have a strong impact on managers' attitudes toward HRM/HRD. The relationship between level of education and HRM policies and practices was examined using the one-way ANOVA test. The sample was divided into three groups. Group 1, managers who had higher education (Ph.D. and Master of Business Administration), Group 2, those with university degrees, Group 3 those with a secondary education (senior high school and/or vocational high school junior high school). It was hypothesised that there would be substantial differences between those with postgraduate and graduate qualifications and these differences are reflected in managers' attitudes with regard to the implications of HRM/HRD. It was

also hypothesised that the importance of specific T&D for general managers and those below the level of management in a multicultural environment would be rated significantly higher by managers with university degrees than those with secondary education.

6.5.2 QUALIFICATION AND THE EFFECTIVENESS OF HRM: ONE-WAY ANALYSIS OF VARIANCE

It was hypothesised there would be a significant relationship between the level of education and HRM policies and activities in domestic and international environments. Therefore, it is worthwhile to compare the managers' responses with the level of their education. There were four HRM items which had significant differences among the three groups (See Table 6.11).

Table 6.11 HRM Issues by Level of Qualification

HRM Items	Significance
B3. The human resource manager should be responsible for co-ordination of company training & development.	.0161
B4-1. In a multicultural environment general managers require specific training and development.	.0186
B13. The human resource development manager is responsible for providing international managers with skills & competences.	.0162
B15. Human resource development must integrate all its activities to ensure that the organisation can retain and motivate its employees.	.0248

When examining the HRM policies and practices from a domestic and international perspectives in Saudi exporting companies, one-way ANOVA identified four items which had significant differences according to education level. Before considering the differences between groups, it is necessary, briefly, to discuss the result in general within the three groups. Table 6.12 shows that managers with higher education had the lowest score in items B3, B4-1 and B13, while managers with the secondary education had the highest.

Table 6.12 Significance of Educational Qualification

HRM Items	Higher Group 1	University Group 2	Secondary Group 3
Item # B 3	3.9111	4.2535	4.4815
Item # B 4-1	4.1087	4.4653	4.5185
Item # B 13	3.3913	3.7571	4.0769
Item # B 15	4.0652	4.2746	3.9630

Scale 1 (strongly disagree) - 5 (strongly agree)

For item B3 the human resources manager should be responsible for co-ordination of company T&D, Group 1 had the lowest score, followed by Group 2 and then Group 3 with the highest score. There was a significant difference between the mean scores of Group 3 and Group 1 using the Scheffé test at the level of 0.05. The literature suggests that HRM involves all management decisions and actions that affect the nature of the relationship between the organisation and its human resources concerning the human side of the management of enterprises and employees' relations within their firms (Beer et al., 1985). However, the responses shown in Table 6.12 indicate that managers with a secondary education and a university degrees agreed that company T&D is the responsibilities of human resource managers, while higher educated managers disagreed that the responsibility of the human resource manager was to provide managers with T&D programmes.

It is worth noting that managers indicating a low score may prefer a separation of job functions between the human resource manager and T&D manager (officer) as with those aged over 50 years (see Table 6.3). The human resource managers may, therefore, be forced to convince educated managers that personnel management is part of HRM as it is concerned with staffing and meeting the needs of employees (See Chapter 3).

The differences between the three groups regarding the need for T&D in a multicultural environment for general managers were confirmed as statistically significant (item B4-1). This disproves the hypothesis that there would be no significant differences between the training requirements of the three groups of managers. Group 1 with higher degrees had the lowest score, followed by Group 2. Group 3 those with a secondary education having the highest score. There was a significant difference between the mean scores of Group 3 and Group 1 using the Scheffé multiple comparison test at the 0.05 level. One explanation for group 1 having the lowest mean is that those managers with a higher education are not interested in T&D for a multicultural environment. However, in global companies, managers are needed who are ready and able to tackle global issues. This cannot occur unless companies provide adequate training for managers (see chapter 3). Al-Sane quoted in MEIRC states:

Management training is more skill oriented and tends to be of shorter duration. Activities which fall into this category are short courses on topics such as managerial and interpersonal skills, or courses on specific job-related topics such as computer skills or finance, all designed to either sharpen or provide skills for current, or future assignments. (MEIRC, 1989: 57)

Another explanation is that managers who hold either an MBA or a Ph.D. may think that because they are highly educated, there is no need for further training. On the other hand, managers with a secondary education may feel that they require this training to improve their career prospects. The literature indicated that such training is important to help managers (whatever their level of education) cope with unexpected events in a new culture (See also Gould, 1988 and Dowling et al., 1994). In addition, managers would benefit from some cultural preparation, because functional ability alone does not determine success in a different environment. Cultural training enables individuals to adapt more rapidly to a new culture and be more effective in their new roles (Kepler, 1983).

Item B13 indicates that the HRD Manager is responsible for providing international managers with skills and competences. In general, mean scores of the three groups were very low compared to the previous items. Group 3 had the highest score, while Group 1 had the lowest. There was a significant difference between the mean scores of Group 3 and Group 1 using the Scheffé multiple comparison test at the 0.05 level. It is important to note that the HRD as a term has only been used in its present context for the past few years (Coleman, 1987). Therefore, the sample response had no impact on such an item.

According to item B15, HRD must integrate all its activities to ensure that the organisation can retain and motivate its employees. Table 6.12 shows that there was a significant difference between groups at the 0.05 level with regard to this item. Group 3 had the lowest score, Group 1 was slightly higher than Group 3, and Group 2 had the highest score. This indicates that all three groups especially Groups 3 and 1 may think that HRD is not the most appropriate function to ensure that the organisation will motivate and retain them. However, the literature suggests that HRD must be tied directly to the strategic planning of the organisation. It is therefore necessary for HRD to have strategic planning as its focus in order to achieve the goals of the organisation.

There was an assumption that there would be a difference between postgraduate managers and graduate managers regarding the implications of HRM/HRD. There was a difference between the two groups as expected. Graduate managers were much more aware of the items contained B2, B4-1, B13 and B15 than postgraduate managers. This may indicate that postgraduate managers in high positions are not concerned with the responsibilities of the HRM and HRD managers and tend to disregard the importance of specific T&D in a multicultural environment.

6.6 EXPERIENCE AND HRM

The years of experience of managers in their positions is shown in Table 6.13. This table indicates that 79 (35.4 percent) of the managers have spent less than 5 years in their positions in their company, 96 (43.1 percent) have been in their position between for 5 to 15 years, and 48 (21.5 percent) had more than 15 years of experience. Table 6.13 indicates that most of the managers had more than 5 years of experience. However, this result may be attributed to the fact that almost 50 percent of the sample worked with petrochemical and oil industries, and these companies require highly qualified specialised management.

Table 6.13 Sample Distribution According to Years of Experience

Managers' Experience	Frequency	Percent
Less than 5 Years	79	35.4
5-15 Years	96	43.1
More than 15 Years	48	21.5
Total	223	100

Despite a rapidly rising population and an expanding economy, the Saudi market is still relatively small. This is encouraging a new generation of Saudi manufacturers to export more for which they require a new set of management skills (Al-Qahtany, 1995). Saudi managers cannot afford to relax because the Saudi market is becoming increasingly competitive. Therefore, International experience for managers is required and has to play a key role in the overall MD process in Saudi organisations. Scullion states:

One very recent trend identified by the research was the tendency for companies to give younger managers international experience much

earlier in their career than previously. This was linked to the growing problems of mobility for older managers. (Scullion, 1991: 257)

One objective of this research was to assist Saudi management to implement sound human resource policies and programmes to prepare for the global marketplace. This will not be achieved unless companies create policies and practices that will enable the organisation to attract, recruit and retain highly qualified employees and to have an impact on the employees attitudes, and their relationships. It would be reasonable to expect that managers with more than 15 years of experience would score more highly than those with less than 5 years of experience regarding the implication of HRM function.

6.6.1 EXPERIENCE AND HRM: ONE-WAY ANALYSIS OF VARIANCE

Based on experience, one way ANOVA identified two items (B1 and B2) with significant differences between groups (see Table 6.14). The literature suggests that organisations need HRM to set policies and govern how personnel activities are developed and implemented to make them mutually reinforcing (Beer et al, 1985; Baird and Meshonlam, 1988). In general, the results in Table 6.15 shows that for item B1 all three groups' mean scores were high which indicates that their response had an impact on such a statement. On the other hand, Group 1 and Group 2 mean scores were low which indicates that their responses had no impact on item B2.

At this stage, one-way ANOVA was conducted to determine significant differences based on years of experience. Table 6.15 shows that HRM statements with significant differences for Group 1 who had less than 5 years of experience, Group 2 who had between 5-15 years of experience, and Group 3 who had more than 15 years.

Table 6.14 Managerial Thinking Differences By Experience

HRM Items	Significance
B1. Human resource management is not only a function of an HRM speciality but also has implications for general management.	.0322
B2. Human resource management policies are central to the process of internationalisation.	.0017

One-way ANOVA identified two statements which had significant differences between the previous three groups. Item B1 suggests that HRM is not only a function of HRM but also has implications for general management. For this statement, Group 2 had the lowest score, followed by Group 1 with Group 3 being the highest. There was a significant difference between the mean scores of Group 3 and Group 2 using the Scheffé multiple comparison test at the 0.05 level.

Table 6.15 Means Variation By Experience

	< 5	5-15	> 15
HRM Items	Group 1	Group 2	Group 3
Item # B1	4.4416	4.2637	4.5532
Item # B2	3.8289	3.9574	4.3617

Scale 1 (strongly disagree) - 5 (strongly agree)

With regard to the item B2, HRM policies are central to the process of internationalisation, Group 1 had the lowest mean score, followed by Group 2 and Group 3 had the highest score. The Scheffé test confirmed Group 1 and 2 were different from Group 3, at a level of 0.05 significance. It is interesting to note that managers with more than 15 years of experience understand that if their organisations do not co-ordinate HRM policies with the process of internationalisation, they will soon suffer and not be competitive. This indicates that managers with an average of 15

years of experience placed the HRM function high among priorities. As evidence, almost 88 percent of the sample responded that effective management of human resources should be a major goal of their organisations, international or domestic. Furthermore, effective international HRM is increasingly being recognised as a major determinant of success or failure in international business. The sample responded to this statement with an approval rate of 75 percent (B8 Table 6.20).

There was an expectation that the mean score would be lower for less experienced managers (less than 5 years) in item B1 & B2, and higher for those who had more than 15 years of experience. Differences between experienced and less experienced managers were the same as anticipated (See Section 6.6). Those managers who had more than 15 years of experience had an impact on both items. The years spent in the job by experienced managers are likely to correlate to their awareness of the importance of HRM and its functions in the organisation. An alternative explanation for this result may be that Saudi companies could give those managers who had more than 5 years of experience a common frame of HRM, reference to policies and practices.

6.7 HRM AND TYPE OF INDUSTRY (OIL AND NON-OIL): MANN-WHITNEY TEST

In the past, Saudi Arabia was heavily dependent on the oil industry and this is still true today. However, the future economic strategy of the Government is to encourage an increasingly important role for the private sector (non-oil sectors) in the Saudi economy. This is evident from the latest publication: "General Objective and Strategic Base of the Sixth Development Plan" (1995-2000) recently published by the Ministry of Planning, Government of Saudi Arabia (Saudi Commerce & Economic Review, May 1994). Therefore, it is useful to compare managers in non-oil companies which

are new in a business environment, with managers in oil companies, (some of whom spent all their working life in the oil sector).

It was hypothesised that managers from oil companies will be more familiar with HRD than managers of non-oil companies. There may, however be differences between the two groups with regard to the importance of cultural skills. The main point in this comparison is that managers in non-oil companies would have a chance to learn about HRM policies and activities. The sample was divided according to two groups (oil and non-oil companies) of approximately equal size. Mann-Whitney was used to identify the difference between the responses of the two groups with regard to HRM policies and practices.

6.7.1 TYPE OF INDUSTRY AND THE ESTABLISHMENT OF HRM POLICIES AND PRACTICES: MANN-WHITNEY TEST

Based on type of industry, the Mann-Whitney test identified four items that received significant differences in responses (Table 6.16). Managers from oil companies scored lower than managers from non-oil companies for three statements (B9, B16 and B22).

Table 6.16 Differences Between Non-Oil and Oil Companies Regarding HRM Policies and Practices

HRM Items	Non-Oil Co.	Oil Co.	Sign
B9. Human resource development is integrated use of training and development, organisation development, and career development to improve individual, group, organisational effectiveness.	4.3704	4.2243	.0339
B16. Organisations which are globalising their business need management with special knowledge, skills and attitudes.	4.5413	4.4476	.0430
B19. Cultural skills are essential for staff on overseas postings.	3.8257	4.1321	.0226
B22. Training and development are subsystems of human resource management.	4.3578	4.1111	.0094

Scale 1 (strongly disagree) - 5 (strongly agree)

For item B9, HRD is the integrated use of T&D, organisation development, and career development to improve individual, group, and organisational effectiveness, significant differences were found between non-oil and oil companies (see Table 6.16). Respondents from oil companies received the lowest score, while non-oil company respondents had the highest. This suggests that HRD involves three areas (1. T&D, 2. organisation development, and 3. career development).

According to item B16, organisations globalising their operations need managers with special knowledge, skills and attitudes. For this item, non-oil company managers received the highest score while managers from oil companies had lowest. The literature suggests that there is a need for these three competences:

An understanding of the competencies (under knowledge, skills and attitudes) that underpin global HRD success will prepare [managers] for the challenges and difficulties managing in other cultures' (Marquardt and Engel, 1993: 266-67)

The difference between the two groups regarding item B16 was negligible and this indicates that both groups understand that management of complexity, diversity, and change is the central issue facing all companies (Bartlett and Ghoshal, 1989: 198). Both groups were much more positive about the need for managers to have special knowledge of other cultures, and to adapt their attitudes and skills to internationalisation.

Item B19 proposed that cultural skills were essential for staffing foreign positions. This is the only item in which respondents from non-oil companies had the lowest score, and respondents from oil companies had the highest. The low mean score of the latter gives attention to preparing their managers for the culture shock of living and working abroad. There are two possible explanations, first, managers in oil companies may be encouraged to equip themselves with the necessary skills, such as knowledge of other

culture. Secondly, managers from non-oil companies have not become aware of the importance of culture. The literature suggests that companies have to recognise working in different cultures requires different skills and knowledge (See Chapter 3).

For the last item (B22), T&D are subsystems of HRM, managers from non-oil companies had the highest score and managers from oil companies had the lowest. This is not surprising as the researcher noted during data collection that the T&D department of Arabia American oil Company (ARAMCO) did not belong to the HRM department. The implications of these findings will be discussed in more details in Chapter 8.

6.8 HRM AND TYPE OF COMPANY (INTERNATIONAL, MULTINATIONAL AND GLOBAL): ONE-WAY ANOVA

As the literature shows, going global is a long term, complex process, but it is not limited to big, established companies (Galagan, 1990). In this section, the differences between the three types of companies with regard to HRM policies and practices are analysed. Once again, the literature suggests that as soon as a company steps outside its home base, to invest or sell or operate in any way, it could be on its way to being global.

It was hypothesised that managers in global companies would rate statement B1 higher than managers in international and multinational companies. There are two explanations for this assumption, the first is that most of the global companies in Saudi Arabia have been working in the oil sector and have done so since the 1930s. This seems to indicate that global companies have much more experience than the other two companies. The second explanation is that most of the global companies were established by western managers who introduced these companies' policies and practices. To examine the statements regarding HRM, the sample was divided into

three groups. Group one comprised those companies which operate between nations (international companies), Group two, those which operate in many nations (multinational companies), and Group three those which operate across more than one national boundary (global companies). Table 6.17 reports that 42 (18.8 percent) of the companies were international, 86 (38.6 percent) multinational and 95 (42.6 percent) were global.

Table 6.17 Sample Distribution According to Type of Company

Type of Company	Frequency	Percent
International	42	18.8
Multinational	86	38.6
Global	95	42.6
Total	223	100

6.8.1 TYPE OF COMPANY AND THE ESTABLISHMENT OF HRM: ONE-WAY ANALYSIS OF VARIANCE

Based on three types of companies (international/multinational/global), the one way ANOVA identified three items of HRM which had significant differences between groups. Table 6.18 reports that there were several statements found to be statistically different. Differences between responses with regard to company classifications regarding HRM policies and practices make it interesting to take a more strategic perspective of HRM activities. This distinction between the type of company will identify any gaps between the knowledge and practice in these companies' strategies and HRM.

Table 6.18 The Companies Significant Difference between International, Multinational and Global

HRM Items	Significance
B1. Human resources management (HRM) is not only a function of an HRM speciality but also has implications for general management.	.0206
B3. The human resources manager should be responsible for co-ordination of company training & development.	.0014
B7. In the international arena, the quality of management is more critical than in domestic operations.	.0086

Table 6.18 shows that managers from global companies had the highest score for item B1, followed by managers from international companies and managers from multinational had the lowest score. There was a significant difference between the mean scores of Group 3 and Group 2 using the Scheffé multiple comparison test at the 0.05 level. This seems to indicate that global companies' HRM is integrated in business planning. The quality and utilisation of HRM are perhaps not yet fully determined by the other two companies.

Table 6.19 Statement Significant for the Type of Company

	International	Multinational	Global
HRM Items	Group 1	Group 2	Group 3
Statement # B1	4.3846	4.2500	4.5213
Statement # B3	4.1250	4.4706	4.0108
Statement # B7	3.6154	3.8372	3.2609

Scale 1 (strongly disagree) - 5 (strongly agree)

For item B3, the Human Resource Manager should be responsible for the co-ordination of company T&D, Group 3 had the lowest mean, followed by Group 1, and then Group 2. There was a significant difference between the mean scores of Group 2 and Group 3 using the Scheffé multiple comparison test at the 0.05 level. This may

indicate that managers from international and global companies tend to prefer a separation of responsibility between the T&D officer and human resource manager.

The scores for item B3 were much higher for multinational companies compared to the other companies. One explanation is that managers in multinational companies may consider T&D as part of HRM rather than being separate from mainstream management responsibilities, and this plays a crucial role in maintaining the high quality of the company's employees. Another explanation is that, managers in multinational companies may have a better understanding about how T&D relates to organisational goals and to the mission of an organisation, and in fact to the whole management process Petrini (1989). This can be achieved through the HRM department where T&D is one of its functions (See Chapter 3).

In general, all groups had a low mean score according to item B7, in the international arena, the quality of management is more critical than in domestic operations. The Scheffé test confirmed a significant difference between Groups 2 and 3. The score for the three groups indicated that no distinction was made between international and domestic quality of management by the respondents. The three groups did not seem to perceive that in an international environment, managers will face unexpected political, economic, and competitive challenges and opportunities. This requires managers that become more flexible and resilient in dealing with such an environment (Dowling et al., 1994).

6.9 ADDITIONAL ASPECTS OF MANAGERIAL RESPONSES TO HRM POLICIES AND PRACTICES

Because managerial strategy is the central force in establishing HRM policies and practices, several items, which at first sight may appear to be unimportant merit analysis. In order to design strategies for international HRM, companies need to have

a full understanding of HRM policies and practices from both a domestic and a global perspective. Furthermore, awareness in this area also leads to a clearer understanding of HRM's responsibilities. Table 6.20 presents results that were not statistically significant regarding HRM statements where each of them will be analysed separately.

Although a number of items just failed the 0.05 significance test the approval rate of respondents is interesting. Table 6.20 reports that for item B20, where a foreign environment needs companies to design appropriate strategy in order to be successful in other cultures, the sample responded with an approval rate of 46.5 percent. The sample rejected the above statement. The six variables (Age, Nationality, Qualification, Experience, type of industry and type of company) had no statistically significant impact on the responses. Such rejection may account for the fact that Saudi organisations do not generally equip their managers with insights into new patterns of strategic thinking and management for the dynamics of a global business environment.

Item B8 indicates that effective international HRM is increasingly recognised as a major determinant of success or failure in international business. Table 6.20 shows that 75 percent of the sample agreed with this statement. The general consensus with regards to this statement shows that the six variables were not statistically significant.

Table 6.20 Additional Statements of HRM Policies and Practices

Additional HRM Items	Likert Scale Equivalent (Strongly agree and Agree)	Standard Deviation
B20. Management development strategies designed for the local operation are not appropriate for a foreign environment.	46.5%	1.09
B8. Effective international human resource management is increasingly being recognised as a major determinant of success or failure in international business.	75%	0.81
B17. The Internationalisation demands different managerial skills than purely domestic markets.	84.6%	0.94
B11. Human resource development should act as a trigger for wider human resource management policies and activities.	84.7%	0.67
B21. Firms that train personnel for the global environment have a competitive edge in the marketplace.	86.6%	0.72
B6. It is increasingly recognised that the effective management of human resource should be a major goal of organisation, whether international or domestic.	88.7%	0.76
B4-2. In a multicultural environment employees below the level of management require specific training and development.	89.5%	0.78
B15. Human resource development must integrate all its activities to ensure that the organisation can retain and motivate its employees.	92.2%	0.65

Item B17 indicates that internationalisation demands different managerial skills than purely domestic markets, 84.6 percent of the sample agreed with this statement. The lack of statistical significance of the variables suggest a high consensus toward supporting the above proposition. This may indicate that managers in Saudi companies are aware that global managers should think globally and act locally (Barham and Rassam, 1989 and Torrington, 1994). Such managers have to scan the world from a

broad perspective, and: “tend to be open to [him/herself] by rethinking boundaries and changing [his/her] behaviour.” (Srinivas, 1995: 30)

Item B11 suggests that human resource development should act as a trigger for wider HRM policies and activities and 84.7 percent of the sample agreed with this statement. The lack of statistical significance of the variables suggests a high consensus toward approving the above proposition. Even though there were significant differences between Saudis and non-Saudis and between groups of education with regard to the responsibility of the HRD manager, managers seem to accept the idea of having an HRD department.

Item B21 indicates that firms that train personnel for the global environment have a competitive edge in the marketplace. The sample responded to this item with an approval rate of 86.6 percent. The lack statistical significance of the variables suggests a high consensus among the sample toward the above proposition. One interesting explanation is that this statement did not specify exactly to whom such training should be given (for example, this statement used personnel instead of managers), most of the sample agreed strongly with this proposition.

It is increasingly recognised that the effective management of human resources should be a major goal of an organisations, international and domestic. The sample agreed strongly with this item (B6) with an approval rate of 88.7 percent. The lack of statistical significance of the six variables suggests a high consensus toward the above proposition.

Item B4-2 proposed that in a multicultural environment employees below the level of management require specific T&D. The sample agreed strongly with this proposition since the approval rate was 89.5 percent. The lack of statistical significance of the six

variables suggest a high consensus toward the above statement. There was a statistical significance between age groups, Saudi and non-Saudi, and groups by education with reference to specific T&D for general managers in a multicultural environment. This may indicate that managers are not interested in such T&D, or they might think that T&D is just for those below their level.

For the last item (B15), where HRD needs to integrate all its activities to ensure that the organisation can retain and motivate its employees, the sample agreed strongly with this proposition, the approval rate being 92.2 percent. The lack of statistical significance of the six variables suggest a high consensus toward the above proposition. As the literature suggests, HRD means motivating individuals to achieve their full potential (this differs from one individual to another).

Before establishing HRM policies and practices, management must have a full understanding of the subject form both a domestic and international perspective. This is important as development strategies designed for the local operation are not appropriate for use in a foreign environment. The respondents supported that failure to prepare management to function in a different environment is the major detriment to success. HRM polices therefore are vital to success in the global marketplace. In this section, using the Likert Scale Equivalent, it was found that some of the respondents did not support the statement which is a major concern if these companies are planning to enter the global marketplace. However, the majority did recognise that HRM played a major role in the success or failure in a foreign market.

In general the respondents indicated that they supported the statements concerning HRD, recognising its importance in an organisation if it is to enter the global market. This acknowledges the need for specialised training to prepare management with the skills required in a different environment. A consensus of opinion was found in many important areas of HRD such as the need for training and the development of

managers before they are placed in a position that requires new skills. There was strong agreement relative to HRM being integrated in all activities to ensure that the company can motivate individuals so they will achieve their full potential. The results contributed significantly to the study as the respondents indicated they were aware that HRD must play a major role when doing business in a foreign environment.

6.10 SUMMARY

This chapter began the analysis of the responses to the questionnaires that were distributed to Saudi and non-Saudi managers in reply to the questions designed for this research. The focus of the chapter was on the first section of the survey which centred on personal information regarding the managers such as their age, education and years of experience. These issues were viewed as being important to the overall study to make certain that the respondent were managers with experience, and therefore had some background and understanding of the purpose and objectives of the research. It was found that the personal statistics regarding the respondents varied to a sufficient degree that it gave credibility to the respondents and to the research itself as no one group was dominant. However, the majority of managers were those between 30 and 50 years. This provided the study with respondents who have had a significant amount of experience in the management field which is valuable to research studies of the subject.

Although many of the respondents had many years of experience, there was an indication that insufficient attention was being given to developing managers that would be qualified to function in an international environment. This helps to support the need for research to assist managers in recognising the need for such preparation if they are going to have opportunities for growth and greater profitability. The fact that younger managers scored higher than mature managers indicated that they may have a strong influence on developing HRD programmes that will effectively prepare

managers for working in a foreign environment. Mature managers, however, did seem to agree that T&D is necessary if a company is to expand their market, particularly cross cultural training.

It was also beneficial to learn that the majority of respondents were well educated, as it reflected the fact that education was important for those in management position. However, it was disappointing to learn that the majority of those with university degrees did not have a positive attitude towards the role of HRD in a multicultural environment, compared to those with only secondary education.

Chapter 7, "Organisation Development and Management Development Strategies: Data Analysis II", continues the analysis of the questionnaire. The respondents were asked to identify the practices their companies employed that reflected an international approach to business. The data collected related to international business factors for the purpose of soliciting the respondents knowledge regarding doing business from an international perspective. The Scheffé multiple comparison procedures were used for the purpose of identifying the differences in responses. The Mann-Whitney test was used to distinguish the differences in responses from managers of oil and non-oil companies. This is followed by an analysis of managerial thinking relative to international MD in preparation for a global assignment.

CHAPTER 7

ORGANISATION DEVELOPMENT AND MANAGEMENT

DEVELOPMENT STRATEGIES: DATA ANALYSIS II

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CHAPTER 7 ORGANISATION DEVELOPMENT AND MANAGEMENT DEVELOPMENT STRATEGIES: DATA ANALYSIS II

In the global arena, organisation development and management development go hand in hand. (Barham and Devine, 1991: 37)

7.1 INTRODUCTION

The primary research objective of this study was to identify those factors which are requiring Saudi companies to give increased attention to international business and to identify how these companies are approaching T&D of managers in preparation for the global marketplace. Two tests (one-way ANOVA, and Mann-Whitney) were used for the analysis of the responses in Section C and D of the questionnaire (See Appendix A). The questions were designed for the purpose of identifying the respondents knowledge and experience regarding marketing in the foreign environment.

As indicated in Chapter 6, one-way ANOVA tests were performed for more than two groups, and the Mann-Whitney non-parametric test was used for only two groups (Zikmund, 1991: 523). For example, one-way ANOVA tests were used to identify statistical significance among several group means. Whereas, the Mann-Whitney test compares the central location of the observed sample split into only two groups.

An understanding of these international factors can be deepened by examining variations between international, multinational and global companies. Therefore, one-way analysis of a variance has been used to examine types of companies. This was useful in clarifying whether or not some factors were significantly different among the three types of companies. The Statistical Packages for Social Sciences (SPSS) was used to explore open-

ended questions, i.e., key characteristics of managers who are successful in international business and so on. The results of the responses are compared to the study conducted by Barham and Devine in 1991.

7.2 SAUDI MANAGEMENT FROM AN INTERNATIONAL PERSPECTIVE: DESCRIPTIVE ANALYSIS FOR INTERNATIONAL BUSINESS FACTORS

Managers in the survey were asked which practices their companies employed that indicated an international approach. A total of 103 respondents indicated that their companies used international telecommunication links, 97 said that their companies appoint people of different nationalities to their main board, 94 indicated that their companies hold conferences or seminars, 86 pointed out that their companies have most of their facilities abroad, 74 of the respondents indicated that their companies use international task forces, and only 64 of the samples showed that a board meeting of their parent companies is held away from home. It is interesting to note that most Saudi companies have created appropriate climates in which people can rise above their narrow national contexts.

In an attempt to explore the issue further, managers were asked whether they had established any policies for encouraging employees, including those in the parent country, to advance their skills to prepare for work in the global marketplace. Some managers believed that international thinking grows by the very nature of carrying out international business. As an example, emphasis is placed on international visits and international conferences or seminars participation. One respondent indicated, "Saudi ARAMCO is

made up of a multicultural work force with global activities. It is only natural that its employees think internationally.” Another respondent indicated, “On a daily basis we watch what is going around the world as it relates to our business and we adjust our plans and thinking accordingly.”

Table 7.1 indicates the majority of managers (61 percent) believe that Saudi government encouragement is the most important factor directing management to give increased attention to international business. This factor appears to be relatively consistent among both Saudi and non-Saudi managers (See Table 7.2). The results are limited to the opinions of the respondents as the different factors were not detailed in content. The responses may, therefore, reflect the respondents’ personal knowledge of the subjects. In Saudi respondents the primary interest would naturally be the support of government for growth and expansion. Surprisingly, the results also indicated that managers in Saudi companies believed that factors such as GATT, the Single European Market and NAFTA, were of little relevance, with only 14 percent, 13 percent and 11 percent respectively believing them to be of high relevance.

When one considers the importance placed on the growing Single European Market (Barham and Devine, 1991), the continued presence of NAFTA and GATT (Woods, 1995), the results seem to suggest a short-sightedness on the part of managers in Saudi companies. However, this blinkered approach seems to be more prominent in non-Saudi managers than in their Saudi counterparts (See Table 7.2), indicating that Saudi managers perhaps have a more global perspective.

Table 7.1 The Factors Influencing Management to Give Increased Attention to the International Marketplace

International Factors	Highly relevant		Medium relevance		Low relevance	
1. Home government encouragement	108	61%	45	25%	25	14%
2. Use of surplus capacity	70	42%	49	29%	49	29%
3. Foreign competition	67	38%	46	26%	64	36%
4. Saturation of home market	66	36%	52	29%	64	35%
5. Speed of market changes	58	34%	62	36%	52	30%
6. Increased domestic competition	59	33%	47	27%	70	40%
7. Mergers/Acquisitions	42	26%	35	22%	84	52%
8. Host government encouragement	39	25%	50	31%	70	44%
9. Senior management changes	28	18%	40	25%	91	57%
10. GATT	20	14%	30	20%	90	66%
11. Single European market	20	13%	44	27%	97	60%
12. NAFTA	17	11%	28	18%	112	71%

The experience of expatriate managers is a valuable source of information for organisations considering entering the global marketplace (Brewster and Mayers, 1989). Saudi companies have relied heavily on expatriates. In the past this was necessary because of the lack of manpower in the Kingdom. In order to get a balanced response to the questionnaire and to enable comparisons to be made, both Saudi and non-Saudi managers were included.

Table 7.2 reflects the responses from Saudi and non-Saudi managers and how they ranked the factors which lead management to give increased attention to international business. Home government encouragement was given top rating by 65.5 percent of the Saudi managers, and 56.7 percent of non-Saudi managers, indicating a level of congruence. While Saudi managers regarded saturation of the home market as the second most important factor (43.5 percent), this was not reflected by their non-Saudi counterparts, with only 29.2 percent stating that it was of high relevance. With regards to foreign competition, although

both groups ranked this as joint third in relevance, it appears that Saudi managers give it more prominence (42.5 percent) when compared with non-Saudi managers (33.7 percent).

One area where there appears to be agreement is the relevance of the use of surplus capacity, with 40.5 percent of Saudi managers and 42.0 percent of non-Saudi managers believing it to be highly relevant; another area of similarity relates to increased domestic competition, 34.4 percent and 32.9 percent receptively (See Table 7.2). Other areas where there were no major differences between the two groups of managers concerned mergers and acquisitions, host government encouragement and senior management changes

Table 7.2 Percentage of Saudi and Non-Saudi Respondents Ranking Relevant Factors

Saudi Managers		Non-Saudi Managers	
International Factors	% of highly relevant	International Factors	% of highly relevant
1. Home government encouragement	65.5	1. Home government encouragement	56.7
2. Saturation of home market	43.5	2. Use of surplus capacity	42.0
3. Foreign competition	42.5	3. Foreign competition	33.7
4. Use of surplus capacity	40.5	4. Increased domestic competition	32.9
5. Speed of market changes	39.8	5. Saturation of home market	29.2
6. Increased domestic competition	34.4	6. Speed of market changes	28.4
7. Merger/Acquisitions	24.7	7. Mergers/Acquisitions	27.7
8. Host government encouragement	22.7	8. host government encouragement	26.2
9. Senior management changes	20.5	9. Senior management changes	15.0
10. GATT	19.4	10. NAFTA	10.0
11. Single European market	16.7	11. Single European market	8.4
12. NAFTA	12.0	12. GATT	8.2

The results of the data collected relative to Saudi management from an international perspective revealed that the majority had international telecommunication links and that

many had people working abroad. They were familiar with the need to appoint people from other nationalities to serve on the Board of Directors. A high percentage of respondents indicated that they used international task forces and conducted conferences and seminars. It is proposed that the respondents were from companies, such as ARAMCO, that have many years of experience in conducting international business. A multicultural workforce serving in an international market would force managers to think globally.

Studies have shown that companies that have for years operated in the domestic market need to make significant changes if they are going to be successful in a foreign environment (Al-Qahtany, 1994). At the same time, with the increased competition in the global market, they have to be well prepared to enter the market or such a decision could prove to be very costly. Companies currently operating in foreign markets in either a multinational, transnational, or global capacity, should be aware of the importance of thinking globally rather than domestically as the future of the company depends on expansion into new markets.

A number of respondents, recognising that their company had surplus capacity, because of the domestic markets being saturated due to increased competition, ranked home government encouragement as the most important international factor. Government encouragement can take many different forms. For some, the only encouragement that may be necessary would be to provide greater access to ports, the availability of ships, and less paperwork. For others, financial assistance may be needed for a time to explore new

markets. There may also be a demand for additional material and human resources to be effective in the global market. Assistance may also be needed from the Chamber of Commerce in locating the most feasible market for their products. One problem that companies could encounter when entering the global market would be the need to hire additional expatriate employees. If this were necessary, the company would have to look to the government to lessen the demand that companies hire only nationals. Encouragement is important in many different ways, particularly for those companies who have not participated in the international marketplace in the past.

The areas that received the least support concerned trade agreements such as GATT, the Single European Market, and NAFTA. This is understandable as the majority of respondents would not have had (nor reason to have) any experience with these trade agreements. ARAMCO sells oil throughout the world without having to be concerned about trade agreements. Other companies in the Kingdom would be more familiar with the GCC because they created this trade agreement so that the trade barriers would be eliminated between Middle Eastern countries (those of the Gulf). GATT is a world-wide trade agreement that has been responsible for reducing trade barriers between nations, but not all nations are members. The Single European Market and NAFTA can be defined as regional agreements, and pertain to the nations involved with them that created a common market. NAFTA, for example, is a regional agreement between Canada, the United States, and Mexico. For this reason Saudi companies would have little cause to be familiar with the agreement. The same is true of the Single European Market because trade agreements have created a common market with trade barriers being eliminated between European

nations for the benefit of members. These agreements do not prohibit other countries from doing business in member countries. The markets of these countries need to be explored to identify the potential for Saudi products other than oil.

The examination of the statistical significance between the two groups by using the Mann-Whitney test reveals no significant difference between the two groups at 0.05 level. The ordering differences between the two groups, however, do differ and these are discussed in the next chapter.

7.3 ONE-WAY ANALYSIS OF VARIANCE

As previously stated, companies which operate in overseas markets typically go through three conceptually distinct, progressively more complex stages as they evolve from national to global. The one-way ANOVA was used to examine the potential variations - at the 0.05 levels of significance between international, multinational, and global companies with regard to the international factors. The one-way ANOVA test are used to establish statistically significant differences based on type of company (International, Multinational and Global). The Scheffé multiple comparison procedures were used for the purpose of identifying the differences in responses.

Seven independent factors were significantly different among the three groups at the 0.05 level. According to the first factor, increased domestic competition, there were strong differences among the three groups. Table 7.3 shows that international companies had the

highest score, followed by multinational, and global with the lowest mean score. The Scheffé test confirmed international and multinational companies were different from global companies at a level of 0.05. In relation to the saturation of the home markets, there were significant differences among managers responding from the three groups. The global companies had the lowest score, followed by multinationals. International companies had the highest score. There was a significant difference between the mean scores of international and global companies using the Scheffé multiple comparison test at the 0.05 levels. One explanation may be that managers from Saudi international and multinational companies, having recognised the increased domestic competition and saturation of the home market as highly significant (See Table 7.3) are seeking other markets in order to survive. However, global companies, because of the extent of their operations, do not consider these two factors as being of significance.

The second factor significantly different among the three groups was foreign competition. For this factor, managers from global companies had the highest score, followed by multinationals, with international companies having the lowest. The Scheffé test confirmed international and multinational companies differed from global companies at a level of 0.05. Today, global competition is no longer a trend but a reality, and countries are tied to each other through the thread of international competition (Porter, 1986). In the global environment, however, quality of management seems to be even more critical than in domestic operations (Torrington, 1994). Tung states:

With the increased pressure for global competitiveness, the firm's resources cannot be effectively and efficiently transformed into marketable outputs, or transferred from corporate headquarters to the

various subsidiaries in the world without a highly developed pool of managerial and technical talent. (Tung, 1984: 129)

Table 7.3 indicates that all three groups appeared to ignore NAFTA as a significant factor. However, there was a significant difference between respondents. Managers from global companies had the highest mean score, followed by managers from international companies. Managers from multinational companies had the lowest mean score. There was a significant difference between the mean scores of multinational and global companies using the Scheffé multiple comparison test at the 0.05 level. The importance of NAFTA, with its large domestic population and consumer base, productivity and competitiveness, cannot be ignored in a global context. The fact that increased attention was not being given to NAFTA is mainly based on the fact that it is an agreement that affects only the countries of Canada, the United States, and Mexico. More knowledge is needed by managers regarding NAFTA as the fact that this may be a regional agreement and new opportunities could be presented for Saudi companies. The one advantage Saudi companies have over others is that since the discovery of oil, the Kingdom has become well known. Saudi Arabia has been an active trading partner with all three countries, Canada and the United States more so than Mexico (See Chapter 4). Because of the great potential this market offers, managers in Saudi companies may greatly benefit from exploring the need of products and/or speed of market change.

Response to the speed of market change was another factor which was significantly different among the three groups. Respondents from global companies had the highest mean score, while multinationals had the lowest. There was a significant difference

between the mean scores of respondents from multinational and global companies using the Scheffé multiple comparison test at the 0.05 level. An explanation of these difference may be attributable to the extent and nature of global companies and their ability to identify and respond to changes in the market more effectively and efficiently than international/multinational companies.

Table 7.3 International, Multinational, and Global Companies Variations

International Factors	International	Multinational	Global	Sign.
1. Increased domestic competition	2.2963	2.2740	1.4868	.0000
2. Foreign competition	1.7600	1.7681	2.3012	.0001
3. NAFTA	1.2727	1.1695	1.6053	.0005
4. Speed of market changes	1.9167	1.8088	2.2625	.0017
5. Mergers/Acquisitions	1.7273	1.4500	1.9620	.0017
6. Saturation of home market	2.3462	2.0933	1.8272	.0129
7. Single European market	1.3333	1.3871	1.6795	.0213

Scale 3 (highly relevant) - 1 (low relevance)

The speed of market change has been well publicised. This has influenced companies to give increased attention to international business. The multinational firm was the first to establish subsidiaries in other countries for the purpose of expanding their market. Transnational firms are co-ordinating production from one centre of strategic decision making across national boundaries. It is a more advanced and complex form of internationalisation which implies a degree of functional integration between internationally dispersed economic activities. "Globalisation is a more recent phenomenon than

internationalisation.” (Dicken, 1992: 1) However, it is emerging as the norm in a growing range of economic activities. This places a greater challenges for Saudi managers entering this market.

With regards to the factor relating to mergers and acquisitions, respondents from global companies had the highest mean score, followed by respondents from international companies. Respondents from multinational companies had the lowest mean score. There was a significant difference between the mean scores of multinational and global companies using the Scheffé multiple comparison test at the 0.05 levels. During the last decade increasing numbers of mergers and acquisitions took place. One company buying another to increase a product line, to increase their market, profitability, and as a means for growth. Global companies received the higher score which indicates they have a better understanding of the markets and the role mergers and acquisitions have played in increasing competition. Multinationals had the lowest score which indicates that they are less involved with the global market as they operate from a different perspective. By building factories, establishing subsidiaries in foreign markets, they have a competitive advantage in the marketplace, but at the same time, are producing specific products for a specific market. However, this went against expectations in that it was hypothesised that both multinational and global companies would, in order to maintain the impetus for growth and increased market share, view mergers and acquisitions in the same light.

The Single European Market was the final factor which showed a significant difference between the three groups. Managers from global companies had the highest mean

score, while managers from international companies had the lowest. There was a significant difference between the mean scores of multinational and global companies using the Scheffé test at 0.05 level. The three types of companies sampled did not appear to understand that the European market is so large and these companies' market can be influenced by such large a market in the not too distant future. Furthermore, Florkowski and Schuler (1994) state:

As the world economy becomes more competitive, dynamic, uncertain and volatile, more firms must compete globally because the costs associated with the development and marketing of new products are too great to be amortised over a single market, even one as large as the United States or Europe. (Florkowski and Schuler, 1994: 827)

The differences identified in Table 7.3 show that overall, managers from global companies had the highest means compared to the other two groups. Cross tabulation of the distribution of global companies by type of companies confirmed the skewed nature of the sample. Eighty-two out of 95 of global companies were oil companies. Therefore, it can be assumed that these companies operate across national boundaries frequently, which allows them to gain global experience. This forces them to give increased attention to the global factors.

7.4 NON-OIL AND OIL COMPANIES: MANN-WHITNEY TEST

Table 7.4 indicates that 34.7 percent of non-oil companies' managers rated saturation of home markets (CA1) as a highly relevant factor that leads their companies to pay increased attention to the international business, while 32.1 percent of oil companies'

managers had a similar opinion about this factor. However, almost half (49.4 percent) of the oil companies respondents considered this factor to be of low relevance as compared with only (25.3 percent) for non-oil companies indicating that there was a significant difference between the two groups.

As Table 7.4 shows, 43.8 percent of non-oil companies indicated that the increased domestic competition (CB1) factor is highly relevant; 39.7 percent rated this factor as having medium relevance. A total of 16.5 percent of the managers thought that their company gave low attention to this factor. In the case of the oil companies managers, 69.8 percent indicated that this factor has not affected their companies to pay increased attention to it, 18.4 percent rated this factor as a highly relevant, and 11.8 percent thought that their companies pay medium attention to it. Table 7.4 shows there were some very strong statistically significant differences between the two groups ($P=.0000$).

With regard to the foreign competition (CC1) factor, Table 7.4 shows that 55.4 percent of oil companies had rated this factor as a highly relevant, 19.3 percent as a medium relevance, and 25.3 percent as low relevance. Among the managers from non-oil companies 21.7 percent had rated this factor as a highly relevant, 33.3 percent as of medium relevance, and 45 percent as of low relevance. The Mann-Whitney test identified that this factor had a significant difference between the two groups at the 0.05 level (0.0005).

It was found that there was a statistically significant difference between the two companies in regard to the speed of market change's factor (CD1). As shown in Table 7.4, $Z = -4.3544$ and $P = .0000$ at 0.05 level of significance. The majority of the oil companies managers (48.8 percent) had rated this factor as a highly relevant, 28.7 percent as of medium relevance, and 22.5 percent as of low relevance. In the case of non-oil companies, 38.2 percent of their managers rated this factor as low relevance, 42.6 percent as of medium relevance, and 19.2 percent as highly relevant.

Table 7.4 Mann-Whitney Comparison of Non-oil Companies' Managers and Oil Companies' Managers showing how these Companies are Paying Increased Attention to International Business Factors

Factors	Type of Companies	N	High %	Med %	Low %	Z & P
CA1	Non-oil Companies	75	34.7	40.0	25.3	$Z = -3.2414$
	Oil Companies	81	32.1	18.5	49.4	$P = .0012$
CB1	Non-Oil Companies	73	43.8	39.7	16.5	$Z = -4.8007$
	Oil Companies	76	18.4	11.8	69.8	$P = .0000$
CC1	Non-Oil Companies	69	21.7	33.3	45.0	$Z = -3.4557$
	Oil Companies	83	55.4	19.3	25.3	$P = .0005$
CD1	Non-Oil Companies	68	19.2	42.6	38.2	$Z = -4.3544$
	Oil Companies	80	48.8	28.7	22.5	$P = .0000$
CE1	Non-Oil Companies	62	6.5	25.8	67.7	$Z = -2.7940$
	Oil Companies	78	19.2	29.5	51.3	$P = .0052$
CF1	Non-Oil Companies	59	1.7	13.6	84.7	$Z = -3.4582$
	Oil Companies	76	19.7	21.1	59.2	$P = .0005$
CG1	Non-Oil Companies	60	15.0	15.0	70.0	$Z = -3.5290$
	Oil Companies	79	36.7	22.8	40.5	$P = .0004$
CH1	Non-Oil Companies	74	58.1	25.7	16.2	$Z = -2.8835$
	Oil Companies	79	67.1	21.5	11.4	$P = .0039$

KEY: CA1= Saturation of home market; CB1= Increased domestic competition; CC1= Foreign competition; CD1= Speed of market changes; CE1= Single European market; CF1= NAFTA; CG1= Mergers /Acquisitions; CH1= Home government encouragement

As table 7.4 states, 19.2 percent of oil companies managers responded that the Single European Market (CE1) was a highly relevant, 29.5 percent as of medium relevance, and

51.3 percent as of low relevance. In the case of managers from non-oil companies, 67.7 percent indicated that this factor was of low relevance and did not affect their companies, 25.8 percent as of medium relevance, and only 6.5 percent as of low relevance. Table 7.4 shows there were significant differences between the two groups. Tests, using the Mann-Whitney significance at the 0.05 levels, shows the difference was less than 0.05 (.0052). This indicates that the Single European Market will be a consideration for managers from oil companies more than their non-oil company's counterparts.

Managers from oil companies appeared to be less influenced by the NAFTA (CF1) (North American Free Trade Agreement) factor than their non-oil company counterparts . Table 7.4 shows that 19.7 percent of oil companies' managers indicated that NAFTA as a factor was highly relevant, 21.1 percent as of medium relevance, and 59.2 percent as of low relevance. On the other hand, 84.7 percent of non-oil companies' managers had rated this factor as of low relevance, 13.6 percent as of medium relevance, and 1.7 percent as highly relevant. In comparing the differences between managers of the the two type of companies, Table 7.4 shows $Z = -3.4582$ and $p = .0005$ at 0.05 level of significance.

Mergers and acquisitions were another significant factor for managers in both types of companies, with 36.7 percent of managers from oil companies indicating that mergers/acquisitions were highly relevant factors to which they paid increased attention. In contrast, 22.8 percent rated this factor as having medium relevance, and 40.5 percent as of low relevance. According to managers from non-oil companies, 70 percent of them rated this factor as of low relevance, 15 percent as of medium relevance, and only 15 percent had

rated it as highly relevant. As table 7.4 shows, $Z = -3.5290$ at 0.05 level of significance = .0004, this means that there was a significant difference between managers from the two types of company.

For the last factor (CH1), Table 7.4 shows 58.1 percent of non-oil companies' managers support the statement that Saudi government encouragement does influence their thinking about planning to enter international business. This view was also supported by oil company managers, with 67.1 percent responding in a similar way. However, 25.7 percent of managers from non-oil companies rated this factor as having medium relevance, and 16.2 percent of them rated it as having low relevance, while 21.5 percent of the managers from oil companies rated this factor as having medium relevance, and only 11.4 percent of them rated it as having low relevance. In testing for the significance of differences, there were strong statistically significant differences between the two groups. $Z = -2.8835$ at 0.05 level of significance = .0039, indicating that there is an association between this factor and the two company types.

Looking at the all percentages in Table 7.4, oil company managers rated the international factors as highly relevant except two factors, CA1 (saturation of home market) and CB1 (increased domestic competition). Most oil companies are global and, therefore, are not faced with strong domestic competition because they are protected by the Saudi government. Recently, the Saudi government has given strong support to the non-oil sector (See Chapter 4).

7.5 MANAGERIAL ATTITUDES TOWARD INTERNATIONAL MD

In Chapter 6 an analysis was made of the field of HRM from both a domestic and an international perspective. Earlier in this chapter the factors which influence Saudi companies to give increased attention to international business were reviewed. It is appropriate to focus on MD, that is to say, concentrating on developing the competencies of individual managers. It is important to point out that human resource policy will not be effective if MD is not at the “heart of the business” (Barham and Devine, 1991: 14).

The essential question to be answered is: What qualifications will managers need to have in order to be able to deal with new international challenges and how should they go about developing them? In this section, the way Saudi companies put MD at the core of their international strategy will be explored. For example, it will try to address how Saudi companies have determined the characteristics they want in their managers before assigning them to international positions, and how they select managers for international assignments. In general, this section covers the issue of international MD and the major constraints that companies face on managers gaining international experience.

7.5.1 CHARACTERISTICS OF THE INTERNATIONAL MANAGER

Research in the literature examined showed, amongst other things, that successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of internationally experienced managers. This assumes that Saudi

companies prefer to select the same competencies that have been identified in Barham and Devine's survey (1991). The most important characteristics of the survey were: strategic awareness, adaptability in new situations, sensitivity to different cultures, ability to work in international teams, and language skills. The response to these questions (See Question D1, D11, D12 and D13 - Appendix A) were varied, with most respondents answering by ranking five of the most important characteristics accordingly, while some only ranked one or two characteristics as being of importance, ignoring the others. This resulted in a lower response rate per characteristic when compared against Barham and Devine's study. However, because the sample and response rate of the present study was nearly five times as large as the Barham and Devine study, it is considered that the findings of this survey will carry more weight and represent a more accurate picture of this field. In order to make direct comparisons between the two sets of figures, the percentages have been adjusted in columns two and three of Tables 7.6. The figures from Barham and Devine's study also having been arranged in conformity with the present study. The adjustment was done by dividing the total number of respondents in this study and Barham and Devine's study, by the number of respondents per characteristic. Similar adjustments were made for Tables 7.7, 7.8, 7.10 and 7.12.

The same thirteen characteristics of the international manager, as contained in Barham and Devine, were selected for this study and the data compared to the results reported by Barham and Devine. Table 7.5 reports the findings of the Barham and Devine study relative to the ranking of the characteristics that were necessary for a manager to be successful in a foreign assignment. As shown in the table, the study ranked strategic

awareness first (71 percent), followed by adaptability in new situations (67 percent), sensitivity to different cultures (60 percent), and ability to work in international teams (56 percent). Language skills and understanding international marketing at 46 percent ranked joint fifth.

Table 7.5 Key Characteristics of the International Manager (Barham and Devine, 1991)

(Percentage of respondents who ranked a characteristic as among the five most important)

	%
1. Strategic awareness	71
2. Adaptability in new situations	67
3. Sensitivity to different cultures	60
4. Ability to work in international teams	56
5. Language skills	46
5. Understanding international marketing	46
7. Relationship skills	40
8. International negotiation skills	38
9. Self-reliance	27
10. High task-orientation	19
11. Open non-judgmental personality	19
12. Understanding international finance	13
13. Awareness of own cultural background	02

Table 7.6 (column 1) shows that managers in Saudi Arabian companies have prioritised the characteristics of the international manager in a different order to those in Barham and Devine's study. According to the present study, managers in Saudi companies rank language skills as the first most important characteristic (47 percent), adaptability in new situations as second most important (36 percent). This is followed by strategic awareness as third (35 percent), with understanding international marketing ranking fourth and awareness of own cultural background as fifth with 28 percent. Four of the five most important characteristics of this study are the same as those in Barham and Devine's study.

When the figures are adjusted according to the number of responses per respondent in

order to make a direct comparison, the order of importance of these characteristics differ dramatically. This study ranks language skills as first (15 percent) while Barham and Devine's study ranks it fifth (9 percent), with adaptability in new situations ranking second in both studies (12 percent and 13 percent respectively, See Table 7.6, columns 2 and 3). Strategic awareness, while ranking third in this study (11 percent) comes first in Barham and Devine's study (14 percent). Two characteristics which are not in the top five of this study, namely sensitivity to different cultures and ability to work in international teams ranked third with 12 percent and forth with 11 percent in Barham and Devine's study.

Table 7.6 Key Characteristics of the International Manager (According to this Study)
(Percentage of respondents and responses who ranked a characteristic as among the five most important)

International Manager Characteristics	Present Study		Barham & Devine 1991
	(1) % of respondents	(2) % of responses	(3) % of responses
1. Language skills	47	15	09
2. Adaptability in new situations	36	12	13
3. Strategic awareness	35	11	14
4. Understanding international marketing	34	11	09
5. Awareness of own cultural background	28	09	00
6. Self-reliance	23	07	05
7. Sensitivity to different cultures	20	06	12
8. Ability to work in international teams	18	06	11
9. Open non-judgmental personality	17	06	04
10. International negotiation skills	16	05	08
11. High task-orientation	15	05	04
12. Understanding international finance	13	04	03
13. Relationship skills	09	03	08

It is mentioned in the literature that language skills increased the effectiveness of managers working abroad and helped them relate more easily to a foreign culture (See Chapter 3).

The results of the Barham and Devine study regarding the characteristics of the international manager differed significantly from the data collected for this research study. These differences are discussed in more detail in Chapter 8.

7.5.2 INTERNATIONAL POSITION CRITERIA

In this section the important criteria for choosing managers for international positions in Saudi Arabian organisations are reviewed. Barham and Devine (1991) argued that the decision about whom to send abroad of course involves cost considerations. Table 7.7 shows 13 out of 15 selection criteria identified by the Barham and Devine study. The criteria includes: technical skills/expertise for the job; proven expatriate track record; good health; appropriate language skills; age; potential of manager to develop in the role; gender; knowledge of company systems and procedures; seniority; support of spouse and family; necessary component of a career path; understanding the market and customers and knowledge/understanding of culture/norms of host country. In this study, two additional criteria were included due to valid responses; nationality, probably due to the large number of expatriates working in Saudi Arabia; and religion because of the Kingdom being an Islamic country where Islam plays a major factor in social and economic life (See Table 7.8).

The Barham and Devine survey revealed that the five most important criteria were: technical skill/expertise for the job (85 percent); potential of manager to develop in the role (69 percent); knowledge of company systems and procedures (63 percent); understanding

the market and customers (48 percent); appropriate language skills and necessary component of career path (46 percent each). It was assumed that companies questioned in this study had a similar list of their own.

Table 7.7 How Managers are Selected for International Posts (Barham and Devine, 1991)

(Percentage of respondents ranking a factor as among the five most important selection criteria in their organisations)

	%
1. Technical skills/expertise for the job	85
2. Potential of manager to develop in role	69
3. Knowledge of company systems and procedures	63
4. Understanding the market and customers	48
5. Appropriate language skills	46
6. Necessary component of career path	46
7. Support of spouse and family	38
8. Knowledge/understanding of culture/norms of host country	25
9. Good health	13
10. Age	08
11. Seniority	06
12. Gender	02
13. Proven expatriate track record	02

The results of this survey again differed from that of Barham and Devine (See Table 7.8). Like Barham and Devine, it ranked technical skill/expertise for the job as the first most important criteria (53 percent), but thereafter the results were entirely different. A proven expatriate track record was the second most important criteria (45 percent) according to the findings of this survey, with nationality (34 percent) coming third, a criteria ignored by the respondents in Barham and Devine's study. Furthermore, good health was also seen as an important criteria (28 percent) by managers in Saudi companies, with appropriate language skills ranking as fifth (23 percent).

Table 7.8 How Managers are Selected for International Posts (According to this Study)

(Percent of respondents and responses ranking a factor among the five most important selection criteria in their organisation)

Selection Criteria for International Posting	Present Study		Barham & Devine 1991
	(1) % of respondents	(2) % of responses	(3) % of responses
1. Technical skills/expertise for the job	53	16	19
2. Proven expatriate track record	45	14	.05
3. Nationality	34	11	00
4. Good health	28	09	03
5. Appropriate language skills	23	07	10
6. Age	21	06	02
7. Potential of manager to develop in role	20	06	15
8. Gender	18	06	.05
9. Knowledge of company systems and procedures	16	05	14
10. Religion	15	05	00
11. Seniority	15	05	01
12. Support of spouse and family	13	04	08
13. Necessary component of career path	10	03	10
14. Understanding the market and customers	09	03	11
15. Knowledge/understanding of culture/norms of host country	02	00	06

Again, the figures were adjusted accordingly in order to make a direct comparison possible (See Table 7.8 columns 2 and 3). Based on the number of responses per respondent, the order of importance between the two studies was markedly different. Both the present and Barham and Devine's studies rated technical skills/expertise for the job as the single most important criteria for selection of managers for an overseas assignment. However, as already mentioned, a proven expatriate track record was ranked second in this study but in Barham and Devine this was the least important criteria. The nationality criteria has already been highlighted as the third most important criteria of the present study, a factor that did

not appear in the Barham and Devine study, and a possible reason for its importance given above.

The adjusted figures also illustrate the basic difference in the selection criteria between this study and that of Barham and Devine. For example, knowledge of company systems and procedures had a higher adjusted score in the Barham and Devine survey (14 percent) compared to an adjusted score of (5 percent) in this study. In addition, Saudi managers regarded good health as the fourth most important criteria (28 percent) compared to (3 percent) in the Barham and Devine study. Language skills were regarded as the fifth most important criteria in both studies.

7.5.3 PREPARATION FOR INTERNATIONAL ASSIGNMENTS

As mentioned in Chapter 3, the costs of expatriate failure are high in both company and personal terms. For example, 30-50 percent of US managers return home prematurely from overseas positions (Zeria and Banai, 1984: 29). "A well-prepared individual adapts more easily to the foreign environment and begins to function productively more quickly." (Davison and Punnett, 1995: 431) Companies have to find the best methods to prepare their managers for overseas positions. Companies in this study were asked to identify the most important activities used to prepare managers for international positions.

Table 7.9 shows the nine main methods, as used in the Barham and Devine questionnaire, that companies utilised in preparing managers for international positions. The five most

important factors in descending order are arranging for managers to visit host country (79 percent), language training for managers (73 percent), briefing by host country managers (67 percent), in-house briefing by host coming managers (67 percent), in house general management course (44 percent) and cross-cultural training for managers (42 percent).

Table 7.9 How are Managers Prepared for International Positions? (Barham and Devine, 1991)

(Percentage respondents ranking a factor as among the five most important selection criteria in their organisations)

	%
1. Arranging for managers to visit host country	79
2. Language training for managers	73
3. Briefing by host country managers	67
4. In-house general management course	44
5. Cross-cultural training for managers	42
6. Cross-cultural training for family	38
7. General management course of business school	29
8. Language training for family	23
9. Training in negotiating within business norms of host country	17

This study discovered that (See Table 7.10) language training for family was ranked as the single most important factor in preparing a manager for an international position (40 percent), with in-house general management course being second with 31 percent. The arranging of managers to visit the host county was considered the third most important factor (28 percent), followed by cross-cultural training for managers (23 percent) in forth and general management course at a business school a close fifth (22 percent).

**Table 7.10 How are Managers Prepared for International Positions?
(According to this Study)**

(Percentage of respondents and responses ranking a factor as among the five most important selection criteria in their organisation)

Preparation Criteria for international Posting	Present Study		Barham & Devine 1991
	(1) % of respondents	(2) % of response s	(3) % of responses
1. Language training for family	40	22	08
2. In-house general management course	31	17	15
3. Arranging for managers to visit host country	28	15	26
4. Cross-cultural training for managers	23	13	14
5. General management course at business school	22	12	10
6. Training in negotiating within business norms of host country	21	11	05
7. Briefing by host country managers	18	10	22

This study also found that, the criteria relating to language skills for managers was ignored by managers in Saudi companies, probably because it was assumed that any company preparing a manager for overseas assignment would include a language programme as a matter of course or was included in language training for the family. No responses were given relating to cross-cultural training for the family. The reasons for this are unclear, but it may be assumed that this was not considered to be a relevant factor in preparing a manager for overseas posting.

When the figures were adjusted for direct comparison, it was discovered that a like-for-like comparison for the language training for managers criteria could not be made due to the lack of response for this particular question in the present study, and therefore this will be ignored for lack of data, as will cross-cultural training for the family for the same reason. Bearing this in mind, the adjusted figures in Table 7.10

(columns 2 and 3) produced the following results: arranging for managers to visit the host country ranked first in Barham and Devine's study with 26 percent of responses per respondent as opposed to language training for the family in the present study with a 22 percent response rate per respondent. Briefing by host country managers was considered the second most important by the Barham and Devine study (22 percent) while in the present study it was in-house general management course with 17 percent. Having pointed out the main differences, there were two similarities between the two studies. For example, the criteria relating to cross-cultural training for managers ranked fourth in both surveys and general management course at business school ranked fifth.

7.5.4 THE INTERNATIONAL MANAGER OR THE INTERNATIONAL FAMILY?

Table 7.9 shows that 88.4 percent thought that managers were willing to accept international positions. This stems from the enthusiasm generated by current managers in Saudi companies or as one ARAMCO manager states: "All the employees in Saudi ARAMCO are encouraged to think internationally." However, 11.6 percent of managers felt that they were less willing to go. Age did not appear to be a major factor in determining a willingness to take positions abroad, with 50 percent of older managers and 38.4 percent of younger managers expressing such a desire, with a small minority (6 percent of each category) stating a reluctance to accept an international posting.

Table 7.11 The Willingness to Accept International Positions

Are managers more willing or Less willing to accept international positions than they were five years ago?	Young Managers		Old Managers		Total	
	Freq.	%	Freq.	%	Freq.	%
More Willing	40	38.4	52	50.0	92	88.4
Less Willing	6	5.6	6	5.8	12	11.6
Total	46	44.2	58	55.8	104	100%

This section looks at the factors that influence companies and the reasons for not providing their managers with the requisite international experience. Table 7.12 illustrates the findings of Barham and Devine's study. The five most important reasons that emerge, in descending order are; disruption of children's education (77 percent), spouse/partner reluctant give up own career (67 percent), fear of losing influenced visibility at corporate centre (54 percent), organisation finds difficulty in re-absorbing returning managers (52 percent) and lack of co-ordinated approach across the company (48 percent). A closely linked factor to re-absorption in the organisation is that some managers find that re-integration within the organisation proves to be a problem (31 percent).

Table 7.12 What Stops Companies Giving International Experience to Managers? (Barham and Devine, 1991)

(Percentage of respondents who ranked a factor as among the five most important constraints in their organisation)

	%
1. Disruption of children's education	77
2. Spouse/partner reluctant to give up own career	67
3. Fear of losing influence/visibility at corporate centre	54
4. Organisation finds difficulty in re-absorbing returning managers	52
5. Lack of co-ordinated approach across the company	48
6. Managers find re-integration difficult on return	31
7. Immigration/employment laws and host-country restrictions	29
8. Financial constraints (relocation cost, foreign allowances, tax)	29
9. Lack of perceived need	19
10. Elderly relatives	17
11. Host country subsidiaries unwilling to accept managers	08
12. Subsidiaries in non-parent countries unwilling to release managers	08

The present study's findings (See Table 7.13, column 1), using the same twelve reasons, show that disruption of children's education (39 percent) was the single most important reason given for not providing managers with international experience. This was closely followed by lack of co-ordinated approach across the company (35 percent) and fear of losing influence/visibility at corporate centre (33 percent) ranked joint fourth with 26 percent, ranging from spouse/partner reluctance to give up own career, elderly relatives, to lack of perceived need, and subsidiaries in non-parent countries unwilling to release managers

Table 7.13 What Stops Companies Giving International Experience to Managers? (According to this Study)

(Percent of respondents and responses who ranked a factor as among the five most important constraints in their organisation)

Factors that stop companies giving international experience to managers	Present Study		Barham & Devine 1991
	(1) % of respondents	(2) % of responses	(3) % of responses
1. Disruption of children's education	39	13	17
2. Lack of co-ordinated approach across the company	35	12	11
3. Fear of losing influence/visibility at corporate centre	33	11	12
4. Subsidiaries in non-parent countries unwilling to release managers	26	09	02
5. Spouse/partner reluctant to give up own career	26	09	15
6. Lack of perceived need	26	09	04
7. Elderly relatives	26	09	04
8. Financial constraints (relocation cost, foreign allowances, tax)	25	09	07
9. Host country subsidiaries unwilling to accept managers	20	07	02
10. Immigration/employment laws and host-country restrictions	16	05	07
11. Organisation finds difficulty in re-absorbing returning managers	14	05	12
12. Managers find re-integration difficult on return	06	02	07

The adjusted figures (Table 7.13, columns 2 and 3) based on the responses per respondent, show some similarities with the Barham and Devine study but also highlight major differences. For example, like Barham and Devine's study, this study shows that disruption of children's education was the major factor with 13 percent of responses in this study compared with 17 percent in Barham and Devine's study. Another similarity that ranked third in both studies, based on the adjusted figures, is the fear of losing influence/visibility at corporate centre with 11 percent and 12 percent respectively.

A major difference between the two studies related to the lack of co-ordinated approach across the company, which ranked second in this study with 12 percent of responses but only fifth in Barham and Devine's study with 11 percent. Another reason which was important in this study, with a response of 9 percent, was subsidiaries in non-parent countries unwilling to release managers, whereas in the Barham and Devine study this was the least most important consideration with only 2 percent of responses.

Major cultural differences and attitudes were highlighted by this study which contradict Barham and Devine's study. For example, while Barham and Devine's study showed that spouse/partner reluctance to give up own career (15 percent of responses) was the second most common reason, the present study showed that this factor ranked joint fourth with 9 percent of responses. Another major difference related to elderly relatives with 9 percent in this study giving this as a reason while only 4 percent said the same in the Barham and Devine study. One probable explanation for these differences relates to the religions and conservative nature of Saudi Arabia, where respect and regard for the elderly is held in high esteem. In addition, it is usually the male member of the family that is seen as the "breadwinner", where the spouse stays at home, unlike most western or other industrially advanced cultures.

7.6 INTERNATIONAL POSITIONS: THE COMPARISONS BETWEEN AGE GROUPS, TYPE OF INDUSTRY AND TYPE OF COMPANY (MANN-WHITNEY)

Table 7.14 shows that the number of managers who responded to questions regarding international positions were very small compared to the total sample. The study was based on the assumption that the average length of international positions for young managers (less than 40 years of age) would be higher than older managers (more than 40 years of age). To examine the difference between the above two age groups, the sample was divided into two groups accordingly. The reasons for this were mainly due to the breakdown of the age ranges for managers contained in the questionnaire (See A1, Appendix A) and because the Mann-Whitney test used distinguishes between two groups only.

Table 7.14 indicates that the average length of international positions for mature managers were higher than young managers. There was a difference between the two groups but it was significant at .1216 rather than the preferred 0.05 levels. It can be seen that among young managers one-year postings were the most common with 72.7 percent compared against 27.7 percent for mature managers. However, when a 5 year posting was considered the result was evenly split at 50 percent each for both groups. As far as mature managers were concerned with the exception of a one year posting, most had an average international posting ranging between 2-4 years, probably due to their greater experience and/or expertise. Furthermore, the one-year posting for young managers suggests an

experience gathering exercise, in preparation for longer duration postings as they mature and acquire more knowledge of their organisation.

Table 7.14 The Average Length of Typical International Positions

Age, Type of company and Type of Industry	N	1 year	2 years	3 years	4 years	5 years	Z & P
Young Managers	25	72.7%	31.2%	29.4%	33.3%	50%	Z = - 1.5481
Mature Managers	36	27.7%	68.8%	70.6%	66.7%	50%	P = .1216
Multinational Co.	14	57.1%	31.2%	6.2%	50%	100%	Z = - 2.0357
Global Co.	40	42.9%	68.8%	93.8%	50%	--	P = .0418
Non-oil Co.	20	72.7%	27.8%	5.9%	44.4%	25%	Z = - 2.2644
Oil Co.	43	27.3%	72.2%	94.1%	55.6%	75%	P = .0236

Another distinction made with regards to the average length of international postings was between multinational and global companies and between oil and non-oil companies. As far as multinational and global companies were concerned, there were no major differences regarding a one-year posting with 57.1 percent of managers from multinational companies stating this was the typical length of posting as compared with 42.9 percent of managers from global companies. The major differences arose when 2 and 3 year postings were considered. Hence, it appeared that global companies preferred 2 year postings (68.8 percent) and a vast majority indicating 3 years as average with 93.8 percent, whereas multinational companies had 31.2 percent for a 2 year position and only 6.2 percent for a 3 year posting. It could be assumed that the reasons for these differences, depending on company size may offer their managers an opportunity to acquire a wide range of

experience by assigning them to overseas offices of the organisation. Why the multinationals have such low percentages in these areas cannot be explained and further investigation may be necessary in order to clarify this grey area.

Regarding a four year posting, both types of companies were evenly split with 50 percent each and, for a five year posting, there were no responses from global companies leaving an “unreliable” 100 percent response for multinationals. Overall, according to the Mann-Whitney test, the differences between the two groups were significant at the 0.05 level. The shift to longer periods of time recognises that managers may need more time in a country to gain as much experience as possible for the benefit of the company and those that will replace him/her, this experience will provide a greater opportunity to achieve the goals and objectives of the assignment. Longer assignments may also bring a return on the investment in less time. However it must be emphasised that due to the diverse responses, these findings cannot be taken as being representative and further research is recommended to arrive at valid conclusions.

When the average length of international postings was compared between managers from non-oil and oil companies, the results were more pronounced than reflected by the pattern displayed by multinational and global companies, with 72.7 percent of respondents from non-oil companies stating that one year as average, compared to only 27.3 percent of respondents from oil companies. There were major differences again regarding 2 and 3 year postings, with 27.8 percent of non-oil companies’ respondents stating 2 years as average with 72.2 percent of oil companies’ respondents stating the same, and for 3 years

the results were 5.9 percent for managers from non-oil companies and 94.1 percent for managers from oil companies. The differences were not so dramatic of a 4 year posting with 44.4 percent for managers from non-oil companies and 55.6 percent for managers from oil companies. The figures for 5 year positions showed a major difference with only 25 percent of managers from non-oil companies saying this was an average duration but 75 percent of managers from oil companies stating the same. Overall, there were significant differences between these groups at the 0.05 level. The reasons for these differences are more apparent in that the non-oil companies are relatively new to the international scene when compared to oil companies who have been well established in global markets and where international assignment for their manages have become commonplace.

It appears that the differences and similarities between the three categories discussed above are unlikely the change for the foreseeable future, as Table 7.15 illustrates. When managers were asked if there were any indications that the duration of international assignments were likely to change, 79.3 percent stated no with only 20.7 percent answering in the affirmative, with one manager in ARAMCO saying: "The length is probably increasing to 2-5 years to give people an opportunity to show results."

Table 7.15 The Way that Saudi Companies Change the Length of their International Positions

Are there signs that the length of international positions is changing?	Freq.	%
No	65	79.3%
Yes	17	20.7%
Total	82	100%

Concern about the time that it takes for a manager to become effective in a post was addressed by a manager in Yaseen Mohammed Co. who stated: "In the last few years, international positions were short but now they tend to be longer. This is due to the recognition that the managers in a country for longer periods gain more experience from others and this will improve the local management system." This opinion is reflected by other managers; for example, one respondent stated: "The length of international positions give people an opportunity to show results and become familiar with both the international environment and a specific country's markets." Another respondent from an animal and agricultural products company taking part in the survey pointed to another concern. The length of international positions, it stated, "should depend on the company's circumstances." One manager from Saudi Petrochemical Company said: "If there are no restrictions and environmental control, the longer a manager holds international positions the more beneficial it is to the company."

7.7 GAINING INTERNATIONAL EXPERIENCE

In this section, the focus is on how companies help managers acquire skills for the international marketplace. From the answers to this survey, it is evident that one of the most effective ways of developing international skills and perspectives is through working and living abroad. Living abroad also will help to "open people's minds to the possibility that living and working need not necessarily be confined within the borders of one's own country." (Torbiorn, 1982: 8). When asked how many managers have international

experience (Table 7.16) and whether this was likely to change in any way (Table 7.17), the responses revealed that the percentage of managers with international experience varied.

Table 7.16 The Percentage of Current Managers with International Experience through International Positions in Saudi Companies

The percentage of current managers with international experience	Freq.	%
1-5	16	21.6
5-10	25	33.8
15-45	22	29.7
50-89	11	14.9
Total	74	100%

Table 7.16 shows the percentage of current managers who have international experience. For example, of those who responded to this question, 21.6 percent said that only 1-5 percent of their managers had international experience, with a large number (33.8 percent) stating that 5-10 percent of the company's managers had such experience. Some respondents indicated that between 15 and 45 percent of their managers had overseas experience (29.7 percent of respondents), with some saying as much as 50-89 percent of their managers had international experience (14.9 percent of respondents). This is an indication that most Saudi companies regard international experience by their managers as being important and that this attitude is likely to continue and even increase in light of the results contained in Table 7.17.

This question asked whether the proportion of managers with international experience was likely to increase, decrease, or remain the same. The responses seem to be positive, in that

a large majority (77.7 percent of respondents) stated that this was likely to increase, with just 16.1 percent stating that it was likely to decrease and only 6.2 percent indicating no change. This seems to suggest that Saudi companies are tending acquire more a global perspective, and see the need for managers with international experience increasing over a period of time.

Table 7.17 The Proportion Change of Managers with International Experience

Change in International experience	Freq.	%
Increase	87	77.7
Decrease	18	16.1
No Change	7	6.2
Total	112	100 %

7.8 SUMMARY

A one-way analysis of variances was used to examine the potential variations between international, multinational and global companies with regard to previous international factors. Three independent factors, increased domestic competition, saturation of the home market and senior management changes, were significantly different among the three types of companies. The Mann-Whitney test was used to establish statistically significant differences based on the two types of industries, non-oil and oil companies. Eight international factors were statistically significant; saturation of home market, increased domestic competition, foreign competition, speed of market changes, single European market, NAFTA, mergers/acquisitions and home government encouragement.

Frequency distributions were used to explore Saudi companies' approach to international T&D of their managers. Practices that indicate an international approach in most of the Saudi companies were implemented. The five most important characteristics of the international manager were analysed, and international positions criteria, which save both time and money, were discussed as well. Preparation criteria for international positions were presented in Table 7.10 where language training for the family was the viewed as the most important criteria.

Factors that stop Saudi companies from giving international experience to managers were analysed. The five most important factors are presented in Table 7.13. The Mann-Whitney test identified the significant differences between young managers and mature managers, between multinational and global companies and between non-oil and oil companies with regard to the length of international positions. Finally, in this chapter the tools and measures used in this study have been presented and a wide range of tests have been used.

Chapter 8, "Interpreting the Results", continues the analysis of the questionnaire used for this research. The focus of the chapter will be on the testing of the hypotheses (stated in Chapter 5). Although it was assumed that the hypotheses would be supported, such an assumption was not valid. Several of the hypotheses were found to be valid while some were only partially supported, and others were rejected. This analysis includes a possible explanation as to why some hypotheses were, and some were not, supported. In addition, explanations were offered for the differences between the findings of this study and those reported in the Barham and Devine study.

CHAPTER 8

INTERPRETING THE RESULTS

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CHAPTER 8 INTERPRETING THE RESULTS

8.1 INTRODUCTION

It was proposed that managers in business and industry in Saudi Arabia needed to develop a new theory of business that included operating in the global marketplace. This was based on the changes taking place in the world, the saturation of the domestic market, and the capability of business and industry to make greater contributions to the Saudi economy. This theory is of significant importance to the Kingdom in order to lessen its dependence on oil, a diminishing resource, and to allow the private sector to expand. However, increasing competition in the global marketplace demands that not only should a company have a product or service that is needed in this market, but that it should also have highly qualified personnel to work in a foreign environment. Managers cannot conduct business in the global market in the same way they have in the domestic market, for the challenges are greater and the environment differs.

Success in the global marketplace cannot be guaranteed. However, the opportunities for success can be traced to selecting the right person for a foreign assignment and providing him or her with the tools necessary to have a chance of succeeding. Managers who receive specialised training in HRD will perform at a higher level than those who do not. These issues were included in the questionnaire, with the results illustrating that many of the respondents do not have sufficient knowledge and experience to be successful in foreign markets. The focus of the analysis is on HRM and HRD, viewing these activities as being essential for any organisation that is planning to enter the global marketplace.

Eight hypotheses were selected for testing in this research study. A research hypothesis states the expectations of the researcher in positive terms. Testing results in one of two outcomes, acceptance or rejection. Acceptance, or support, indicates the hypotheses are true, in which case it is concluded that any differences in the results were not significant. Rejection, or lack of support of a hypothesis, indicates that the differences in the results are statistically significant, and therefore it cannot be supported. Rejection does not indicate that the hypothesis was necessarily in error, but rather that it could or could not be supported by the particular sample of respondents selected and their personal knowledge and experience relative to the subject matter (Zikmund, 1991).

The purpose of this chapter is to continue the analysis of the data in relation to the stated hypotheses, and to provide a possible explanation as to why they were either accepted or rejected. To achieve this goal, each section of the questionnaire is discussed in more depth with reference to the analyses in Chapters 6 and 7.

8.2 RESEARCH HYPOTHESES

The primary goal is to test a number of hypotheses and determine their importance with regard to the subject of HRM & HRD. Based on the literature, eight hypotheses were developed:

Hypothesis 1: Older managers will rate the following HRM policies and practices higher than younger managers:

- a. Training and development for a multicultural environment;
- b. HRM/HRD responsibilities; and

-
- c. The importance of the relationship between HRM & HRD in the organisation.

Hypothesis 2: Non-Saudi managers will have a greater awareness of the importance of HRM activities than their Saudi counterparts.

Hypothesis 3: Company decisions to globalise demand that HRM and HRD be integrated with corporate strategy.

Hypothesis 4: Management and development is central to the improvement of managerial skills and effectiveness.

Hypothesis 5: In globalising a company, HRD provides the following managerial competencies (in order of importance):

- i. Strategic awareness
- ii. Adaptability to new situations
- iii. Sensitivity to different cultures
- iv. Ability to work in international teams
- v. Language skills.

Hypothesis 6: Younger managers will be more willing to accept international positions than older managers.

Hypothesis 7: Factors that prevent managers from accepting international assignments (in order of importance):

- i. Disruption of children's education.
- ii. Spouse/partner reluctant to give up own career.
- iii. Fear of losing influence/visibility at corporate centre.
- iv. Organisation finds difficulty in re-absorbing returning managers.
- v. Lack of co-ordinated approach across the company.

Hypothesis 8: Managers for international assignments require the following skills:

- i. Technical skills/expertise for the job

- ii. Potential of manager to develop in the new role
- iii. Knowledge of company systems, procedures, etc.
- iv. Understanding the market & customers
- v. Appropriate language skills

8.3 TESTING THE HYPOTHESES

AGE AND HRM (HYPOTHESIS 1)

Hypothesis 1: Older managers will rate the following HRM policies and practices higher than younger managers:

- a. T&D for a multicultural environment;
- b. HRM/HRD responsibilities; and
- c. The importance of the relationship between HRM & HRD in the organisation.

In general, the responses supported the hypothesis that older managers would rate certain HRM policies and practices higher than younger managers. The group between 30 and 40 had the highest score in response to the question about the human resource manager being responsible for co-ordination of company T&D (B3). The 40 to 50 age group had the second highest response. These responses indicated that those in these age groups had had more experience with HRM and recognise its role within the organisation. Those under the age of 30 and those over the age of 50 received the lowest scores, indicating that they had had little experience of HRM, either because they had not had exposure to it, or in the case of those over 50, they had yet to realise its importance in an organisational context and still followed the traditional managerial methods as they did twenty years or so ago.

The responses to the statement, "HRM policies are central to the process of internationalisation" (B2), indicated that those with more than 15 years, experience had a

greater awareness that, if their organisations did not add HRM policies to the planning for internationalisation, they would not be competitive. These managers seemed to recognise that, based on experience, HRM policies are of importance to the organisation as a whole, not just to one or two departments. Those with more experience indicated that this will include internationalisation and the need for HRM policies to play a major role if the company is to be competitive. Table 6.15 shows that managers with 15 years, or more experience were very much aware of HRM and its importance to an organisation

Experience with particular organisations may also have influenced the responses to the item, "In a multicultural environment, general managers require specific T&D" (B4-1). The statement was based on literature that placed significant importance on providing managers being sent to a foreign country with specific training to work in a multicultural environment, and to be responsive to the protocol of both the culture and the company (Barham and Oates, 1991). It was hypothesised that an overwhelming number of respondents would strongly agree with this statement. Positive responses from managers over the age of 30 were significantly higher than those under 30, which reflect years of experience in these positions and the cumulative knowledge they have gained as a result (See Table 6.4). Many of the respondents, including those from ARAMCO (See Chapter 5), have had significant experience working in and for a large organisation. For example, with ARAMCO's growth over the years and its Saudiisation programme, it means that management have had considerable exposure to HRM and HRD.

The T&D element of the hypothesis is supported by responses to statement B21: "Firms that train personnel for the global environment have a competitive edge in the market

place”, the majority of the respondents agreeing or strongly agreeing with this statement, with those between the ages of 30-40 scoring the highest, closely followed by those managers under 30, with older managers scoring slightly lower (See Table 8.1).

Table 8.1 Firms that Train Personnel for the Global Environment have a Competitive Edge in the Marketplace.

	< 30	30-40	40-50	>50
	Group 1	Group 2	Group 3	Group 4
Item B21	4.1500	4.2442	4.0282	4.0789

Scale 1 (Strongly disagree) - 5 (Strongly agree)

This implies that such training has to take into account the various cultures encountered in the global environment if an organisation is to be successful. A manager that has the requisite skills and abilities, supported by the necessary training, to function in a multicultural environment incorporating diverse cultural, social and business values and practices will be an asset to any organisation. The need for specific training necessary to operate in a multicultural environment also extends to employees below the managerial level. This is supported by 89.5 percent of all respondents who agreed with statement B4-2, (See Table 6.20).

Another way to test the validity of this hypothesis is to examine the educational background of the respondents and cross-tabulate this with age. This method shows that managers over the age of 30 were better qualified (for example, more likely to have had a higher and/or university education than just secondary schooling) than those under the age of 30 and therefore, have a different perspective on HRM/HRD policies and practices. It was found

that managers with higher education were more likely to disregard the importance of specific T&D for a multicultural environment. Those with higher degrees may have the attitude that, because they are highly educated, they do not need more training. However, managers graduating from secondary schools felt a greater need for training, perhaps partly due to recognising the need for more training if the company is to enter into the global marketplace. Success in a multicultural environment may demand additional training in order to change organisation culture, and improve interpersonal relations. This is based on the view that entrance into the global marketplace requires support from the entire organisation.

HRD is a relatively new term, and it was assumed that many managers would not be familiar with it, especially those without degrees from western universities. The statement, "HRD is part of the HRM function in the organisation", (B10), was designed to establish managers' knowledge and understanding of its role in the organisation. The data collected indicated that those under the age of 30 had the highest mean score and recognised HRD as a vital part of HRM (See Table 6.4). Although the results indicated that all age groups agreed with this statement, the responses did not fully support the hypothesis relative to the relationship between HRM and HRD, (i.e. that older managers would rate higher than younger managers). However, the differences between those under 30 and those over 30 were not statistically significant to completely disprove this hypothesis.

"Training programmes will become more relevant to organisational objectives if HRM is linked with HRD" (B14). The responses to this statement did not fully support the hypothesis because managers between 30-40 had the highest mean score, followed by

managers under 30. Again, the differences were not statistically significant, therefore that this hypothesis was rejected outright. This is because older managers lack experience with HRD programmes in the particular companies in which they are employed. A HRM department is commonly found in the larger organisation whereas smaller companies may have an individual responsible for the personnel function, and HRD functions have not been implemented even though managers have some understanding of the term. However, as companies move into the global marketplace and recognise the greater threats and opportunities facing them, they will eventually recognise the potential of HRD. This is based on the findings of the literature which stated that managers must have an understanding of HRD before they commit resources and introduce changes in people's responsibilities to meet the demands of the global marketplace (Megginson, et al., 1993; See Chapter 3).

"T&D are subsystems of HRM" (B22). The results indicated significant differences between young and mature managers with regard to this statement (See Table 6.5). This may be attributed to the fact that many of the younger managers have had the opportunity to attend colleges and universities, majoring in management. Courses in management would provide them with more up-to-date information regarding the subject of HRM and HRD as compared to more mature managers who either may not have had the opportunity to attend college, or who attended some time ago when little attention was given to these principles. It is believed that the findings were influenced by the fact that a high percentage of respondents were employed by ARAMCO. The company has a T&D department that is not part of the HRM department. How these departments worked together was not investigated, but it was recognised that T&D was given great importance because it was a separate department. This strategy was also supported by respondents indicating that HRM is integrated with administration while T&D is viewed as separate departments.

Although the HRM department may not be viewed as including T&D, the two must work together through HRD if training is to meet the human resource needs forecasted for the future.

Looking at the “HRM/HRD responsibilities” element of this hypothesis, the responses were such that significance tests could not be carried out. However, straight percentages analysis according to age showed that this particular component of the hypothesis was not entirely rejected. For example, 44.3 percent of managers between 30-40 and 31.4 percent between 40-50 years of age agreed/strongly agreed with the statement: “The human resource manager should be responsible for co-ordination of company training and development” (B3), compared to only 9.7 percent of managers under 30 and 14.6 percent over the age of 50. Another example relates to the statement that “HRD should act as a trigger for wider HRM policies and activities,” (B11), where 41.7 percent of respondents between 30-40 and 32.8 percent of the 40-50 age group either agreed or strongly agreed with this statement, as opposed to 8.3 percent of managers under 30 and 17.2 percent over the age of 50 (See also Table 6.20). Regarding the statement: “HRM policies are central to the process of internationalisation”, 39.7 percent of respondents with 30-40 age group and 32.8 percent in the 40-50 age group agreed or strongly agreed with this statement, whereas only 8.8 percent of respondents under the age of 30 and 18.6 percent over 50 said the same.

From the above three examples, when a distinction is made between younger managers (under 40 years old) and mature managers (over 40) it can be seen that the data collected neither supports nor rejects this particular element of hypothesis 1. These results are therefore inconclusive but not contradictory.

Overall, it can be said that the hypothesis was partially supported, even though younger managers ranked higher in some of the statements than older managers. One possible explanation for the difference is the fact that younger managers may have had the

advantage of a more recent education in the field of management. Furthermore, younger managers may be more aware of the importance of HRM in modern management thinking (See Table 6.5). Younger managers may also be corporate-minded and dynamic than their older counterparts. The results of this survey also seem to support the view that they understand the need to decentralise decision-making and delegate responsibility in a modern organisation. This would make them more aware of the importance HRM. Another factor could relate to the fact that some of the young managers have passed through one of the MD programmes provided by state institutions and companies. This would add to their understanding of the role of HRM in the firm. Saudi ARAMCO is a good example of such an organisation that has taken the lead in T&D for over 50 years. The King Fahd University of Petroleum & Minerals in Dhahran, originally started by ARAMCO, has trained generations of highly skilled young Saudis for the oil industry, many of whom are now in senior positions.

In contrast, the companies in the private sector have to compete on price to win contracts. Many are forced to adopt a much more pragmatic approach to recruitment and training. They employ more skilled and semi-skilled non-Saudis and do not spend as much on T&D for their Saudi employees. Joint venture banks differ somewhat as they have good reputations for in-house training. However, there is normally a very big fall-out rate. The Saudi British Bank, with an annual intake of around 180 trainees, expects to lose about 90 percent in the first year.

This may explain why older managers rated some HRM policies and practices lower than younger managers. Experience may have made their managers less enthusiastic about the benefits of HRD. Private sector managers, in particular, may not welcome the idea of paying to train young Saudi managers only to find that many leave after training to join the oil sector or to work for the government.

SUMMARY

This hypothesis sought evidence to support the statement that: "Older managers would rate a number of HRM policies and practices higher than younger managers." As the results of this study indicated, this hypothesis was not fully supported. For example, the importance of the relationship between HRM and HRD within an organisation was seen by mature managers as being inseparable (See Tables 6.3 and 6.4). However, when experience is taken into account, there is evidence to support some of the elements of this hypothesis. For instance, Tables 6.14 and 6.15 illustrate the relationship between experience and the approach to HRM, in that mature managers appear to recognise the importance of HRM policies and practices, and the implications they have for general management.

NATIONALITY AND HRM (HYPOTHESIS 2)

Hypothesis 2: Non-Saudi managers will have a greater awareness of the importance of HRM activities than their Saudi counterparts.

This statement is based on the assumption that many Saudi managers lack experience of HRM, particularly those in smaller non-oil companies. It was also hypothesised that non-Saudi managers would have been given the necessary and appropriate training and skills required to operate in a multicultural environment such as Saudi Arabia, where expatriates form a substantial part of the workforce. Furthermore, the added experience of non-Saudi managers, particularly from the practical view-point of actually managing employees in Saudi Arabia, would have given them the opportunity to acquire an insight into the benefits of HRM. Therefore, the findings in this section were believed to be strongly influenced by

the non-Saudi managers' responses. Table 8.2 indicates that non-Saudi managers with more than 15 years of experience outnumbered their Saudi counterparts.

Table 8.2 Composition of Saudi and Non-Saudi Managers by Years of Experience

Years of Experience	Saudi	Percent	Non-Saudi	Percent
Less than 5 years	43	19.7	34	15.6
5-15	48	22.1	46	21.1
More than 15 years	19	8.7	28	12.8
Total	110	50.5	108	49.5

HRM plays a major role in organisations which have a large number of employees. It was hypothesised that non-Saudi managers would have a greater awareness of HRM, in that most of them would have been assigned to their post by the international division of a major multinational, almost inevitably having a large HRM department. Many Saudi managers, in contrast, are employed in smaller companies which do not have HRM departments as the total number of employees may be relatively small - for example, less than 100.

Reviewing the statements concerning managerial thinking regarding HRM and comparing Saudi and non-Saudi responses, it was found that the hypothesis was not supported. The statements pertaining to HRM in the questionnaire included B3, B4-1, B13, and B22. The statements were designed to identify the manager's knowledge of HRM and HRD. Saudi managers ranked higher than non-Saudi managers concerning the knowledge that general managers require specific T&D for the multicultural environment, and that T&D are subsystems of HRD. They also ranked higher than non-Saudi managers regarding the human resource manager as being responsible for co-ordination of company T&D, and that HRD managers are responsible for providing international managers with skills and competencies. However, this difference was of lower significance than the two statements indicated above. Another factor which may have had some influence on the results was the

fact that twenty-nine respondents of the sample, or 13.5 percent, offered no opinion. The results are reported in Tables 6.8 and 6.9 (Chapter 6).

One explanation for this situation could be that non-Saudi managers do not see HRM as a priority because they are not the main beneficiaries of T&D in Saudi companies whereas Saudi managers are. The very large Saudi enterprises, such as ARAMCO, invest heavily in HRD, and although non-Saudis do benefit from the ARAMCO training programmes, the majority of management trainees are Saudi. This focus on training locals has been intensified as a result of the government's Saudiisation policy which applies to all companies in the Kingdom, both private and public.

Another reason why Saudi managers may have a greater awareness of the importance of HRM than their non-Saudi counterparts is because Saudi employees have a greater commitment to the development of their country than expatriates, whose ultimate loyalties are to their parent countries to which they will eventually return. It is likely that Saudi managers see the development of Saudi management expertise and skills in the wider context of their nation's growth and development.

The ongoing debate in Saudi Arabia about education and training is closely linked to the government's determination to employ more Saudis in positions now occupied by expatriates. This has produced a different attitude toward HRD in the public and private sectors. The state-owned institutions and companies are formally obliged to have Saudis working for them. Private sector companies argue that Saudiisation is fine so long as the government meets a large part of the cost of recruiting and training Saudis and as well as allowing them to employ experienced non-Saudis.

Some of the larger companies that have HRM departments, and HRM or HRD managers, offer training for all employees, both Saudis and non-Saudis, but the greater emphasis is on training Saudis. In general Saudi companies would prefer to recruit

skilled and experienced non-Saudis. In addition, many Saudi employers are still, by nature, highly risk-averse and conservative. They consider training expatriates “a waste of money because they will repatriate at some time and take their skills with them, or worse still, leave to join a competitor,” according to one Saudi general manager in the survey.

The statement, “The human resource manager is responsible for co-ordination of company T&D,” (B3), was ranked higher by Saudi managers than non-Saudis. While the responses indicated that Saudi managers accept the idea that the HRM is responsible for co-ordination of company T&D, non-Saudi managers appeared to be not as aware. This may be attributed to the fact that many of the non-Saudi managers, being expatriates, were given a specific assignment by their company based on their technical expertise. Therefore, they may have had little experience with HRM because it lay outside their scope of expertise.

84.7 percent of the total sample agreed that “HRD should act as a trigger for wider HRM policies and activities” (B11). According to nationality, this was further broken down with 83.2 percent of all Saudi respondents agreeing to this statement and 86.9 percent of non-Saudis saying the same. As can be seen, the difference between the two groups is not so great, but it can be argued that, as far as this particular element of the hypothesis is concerned, non-Saudi managers showed a greater awareness of the link between HRD and HRM. Thus, the hypothesis was partially supported. As indicated in chapter 3, HRD integrates training and career development with organisation development to improve individual, group and organisational effectiveness. Here, it can be found that HRD cannot and should not operate as an isolated entity and must be linked to the HRM function

(Leonard and Zeace, 1990). On the other hand, integrated HRD makes T&D plans more relevant and improves organisational performance (Kramm & Kramm, 1988).

When asked whether general managers require specific T&D for a multicultural environment (B4-1), 89.5 percent of all respondents agreed or strongly agreed with this statement and by nationality this was broken down further, with 88.1 percent of all Saudi respondents agreeing or strongly agreeing, and 90.8 percent of all non-Saudis saying the same regarding this statement. Again, there was partial support for this hypothesis when responses are analysed on a straight percentage basis. Chapter 3 indicated that assigning a manager to an international position involves more than getting the job done (Callahan, 1989). For example, managers working in a multicultural environment need to be culturally sensitive. If managers are sensitised to cultural differences between their home and host countries, they will be able to appreciate the uniqueness of the people in the host countries (Howe et al., 1990). Stumpf et al. take this a stage further, adding:

Global leaders must learn to lead multicultural microworlds through creating shared visions and common mental models. They must manage diversity less by appreciating and utilising national and cultural differences, and more by establishing an organisation culture which transcends these differences. Programmes for developing global leaders must go beyond teaching people to appreciate or accommodate cultural diversity, to the task of developing people capable of creating an organisational culture which can cohere diverse groups. (Stumpf et al., 1994: 16)

Saudi managers ranked higher in their responses to the statement: "The HRD manager is responsible for providing international managers with skills and competencies" (B13). The difference between the two groups was significant at the .0032 level. (See Chapter 6). Furthermore, a total of twenty-nine respondents had no opinion regarding the statement,

which indicated that many non-Saudi managers had little or no experience or knowledge of the subject. However, both Saudi and non-Saudi managers should know that HRD can do more than just provide skills and competencies for international managers:

Human resource development can improve organisational productivity, develop the employee and achieve the management objective of getting things done through others. (Coleman, 1987: 26)

According to statement B22: "T&D are subsystems of HRM", Saudi managers ranked higher in their opinion of the validity of the statement, compared to non-Saudi managers. However, it was determined that the difference was not significant at the 0.05 level, which indicates that the majority of respondents supported the statement, giving further weight to the discussion regarding the relationship between HRD and training. In fact, Chapter 3 indicates that HRM takes the view that employees are valued assets and that value should be increased by a systematic and coherent approach to T&D.

SUMMARY

The hypothesis that non-Saudi managers would have a greater awareness of the importance of HRM activities than their Saudi counterparts, based on statements B3, B4-1, B13, and B22, was not fully supported. The results indicated that more Saudi managers agreed with the statements compared to non-Saudis when significance tests were undertaken. While there was a significant percentage of respondents indicating "no opinion", the number of those responding is viewed as being sufficient for testing the hypothesis accurately. However, when a comparison is made using straight percentages based on the responses of these two groups, the data again tended to support the hypothesis with non-Saudi manager having a slightly higher positive response to these statements. Overall, the results were inconclusive, so it could be

argued that this particular hypothesis was neither proved or disproved with certainty. On a positive note, it was encouraging to find that the responses indicated that Saudi managers have, in general, a good understanding of the role of HRM in the organisation.

GLOBALISING A COMPANY (HYPOTHESIS 3)

Hypothesis 3: Company decisions to globalise demand that HRM and HRD be integrated with corporate strategy. This hypothesis is based on the assumption that when a company makes the decision to enter the global marketplace, changes must be made in the organisation so that corporate strategy will be effective. Four statements were used to test this hypothesis.

The first states that “HRD includes T&D, organisation development, and career development to improve individual, group, and organisational effectiveness” (B9). The respondents were divided between those who worked for oil companies and those who worked for non-oil companies, based on the assumption that, because they were primarily international organisations, managers in oil companies would support the statement. The rationale was that managers in these companies, because they functioned in the international marketplace, would agree that these factors were important to companies doing business in foreign environments. However, this hypothesis was not totally supported as responses from non-oil company managers ranked slightly higher than those from oil companies. Although the difference was not significant, the results were interesting (See Chapter 6, Table 6.16).

One explanation for the above difference is that those assigned to foreign operations may have been placed in the position because of their technical expertise. With regard to the oil companies in Saudi Arabia, those managers who responded may have been responsible for operations that were not associated with the design and implementation of corporate strategy, as this function is usually performed by those at the senior management level.

The second statement: “Organisations globalising their business need managers with special knowledge, skills and attitudes” (B16) was based on the research of Adler and Bartholomew (1992), in which it was found that global managers require new skills in order to be effective. Managers must learn how to collaborate with partners world-wide, gaining as much knowledge as possible from each interaction and transmitting that knowledge into the world-wide network of operations (See Chapter 3). This requires managers to have special skills if they are to be successful in directing their company’s efforts across national borders.

To test the hypothesis, the respondents again were categorised according to oil and non-oil companies. Managers in non-oil companies responded more positively than those from oil companies. However, the difference was not statistically significant, as both groups were in agreement that special knowledge, skills and attitudes are necessary if a company is planning to enter the global marketplace.

The third statement: “Special cultural skills are essential for the staff in overseas positions” (B19) was based on the recognition that employees with special skills are required to fill overseas positions in order to function effectively. T&D programmes must be integrated

into corporate strategy in order to have these skills available at the time that the strategy calls for doing business across national borders (See Chapter 3). Respondents from the oil companies ranked higher than those of non-oil companies. Although the difference was not statistically significant, the result may reflect the experience of management in oil companies, most of whom are expatriates, working in the international arena where they have learned that in order to successfully do business across national borders requires more particular cultural skills.

The final statement is: "T&D must be subsystems of HRM" (B22). T&D, while integrated into the HRD programme, can be viewed as a subsystem of HRM. From a corporate strategy perspective, when decisions are made to globalise, T&D prepare men and women to operate in these marketplaces. Without specific programmes to train people to work effectively in foreign environments, the best corporate strategies cannot be fully implemented. The data collected from this study suggests that managers from non-oil companies in Saudi Arabia, considering entering the global marketplace, recognise the need for corporate strategies that include special training programmes as an integral part of T&D and HRM as Table 6.16 shows. However, the difference between managers of non-oil and oil companies and their respective opinion to this statement (B22) was, again, not statistically significant to disprove this hypothesis.

SUMMARY

In general, the hypothesis that HRM and HRD should be integrated with corporate strategy when globalising was supported. While non-oil companies employees gave it the strongest

support, respondents from oil companies also expressed support. Therefore, the hypothesis is supported and compares favourably with evidence from the literature. Barham (1991) supported this view, saying that the degree of success that companies achieve in their globalisation depends on their approach to international HRM. Without emphasis being placed on HRM, management will not have the resources necessary to enter the global marketplace (Tung and Miller, 1990: 5).

Management Development (HYPOTHESIS 4)

Hypothesis 4: MD is central to the improvement of managerial skills and effectiveness.

The changes now under-way in the global business environment are placing new demands on managers (Finegold, 1994). In future years, large companies will almost certainly become more global in their activities. They will be more concerned about selecting, training and developing global managers who understand the “world-wide ramifications of their business and who can operate effectively around the world” (Derr and Oddou, 1993: 441), while McBride adds:

As companies begin to consider global strategies, they must also begin to develop global managers. Global managers, like a global product, must be able to cross national and cultural boundaries with very little modification. (McBride, 1992: 48)

A total of 86.6 percent of the sample supported the statement: “Firms that train personnel for the global environment have a competitive edge in the marketplace” (B21). This means that managers in Saudi companies recognised the importance of training for such an environment. Furthermore, 92.2 percent of the sample agreed that HRD must integrate all its activities to ensure that the organisation can retain and

motivate employees. This seems to indicate that managers recognise the importance of having HRD in their organisation.

The following are some typical quotations from some of the respondents to this study, in response to the question “What kind of issues and confrontation are facing MD in your organisation?” :

“Lack of a department responsible for MD or T&D.”

“Top management are too busy” or “are not interested in MD or T&D.”

“Budget” or “financial constraints that limit their abilities to implement MD programmes.”

“There are no plans or policies from the top that include entering the global marketplace.”

These quotations indicate an urgent need for MD specialists to seek answers to the following questions: first, whether their MD activities are central to the improvement of managerial skills and effectiveness; secondly, is the management system concerned with meeting the future managerial needs of the organisation? The answers to these questions will determine if an organisation is likely to succeed in the global marketplace.

The above quotations do not give a positive indication about MD activities and effectiveness in Saudi organisations. These responses do not support the fourth hypothesis, which is therefore rejected.

Further statements were designed to test this hypothesis, namely: B3, B4-1, B13, and B15 (See Chapter 6). These statements were based on the assumption that there was a significant relationship between the level of education and HRM policies and activities

in both the domestic and international environments. The four statements concerned knowledge of the human resource manager (See Chapter 6, Table 6.11, 6.12).

The majority of managers in Saudi companies have high education levels, as reported in Chapter 6, Table 6.10. Education levels were believed to make a difference in a manager's understanding of HRM and HRD. This was based on the assumption that the majority of managers with higher and university education have been exposed to these subjects during their academic career. However, it should be noted that respondents were not asked if their degrees were in business, management, or fields that were non-business or management related.

Secondary education levels are limited to senior high school and vocational high school, which would not be viewed as being at the same level as higher education. Because high school and vocational school programmes usually do not offer courses in management or business, those with this level of education have not had the opportunity to attend classes that would assist them to prepare for a management position, and those who have achieved managerial positions have done so through their own merit over a period of time.

Table 6.12 clearly shows that managers with secondary education perceive a greater need for training than their better-educated counterparts. For three out of four statements in this table, those with secondary education scored significantly higher than university and higher-educated managers. The assumption framed in the fourth hypothesis is that the managers' understanding of MD will correlate with their educational achievement level: the better the manager's educational qualifications, the greater his understanding.

One reason for this discrepancy may be that in Saudi Arabia, a high proportion of managers are well educated, having MBAs and PhDs. These Saudis may believe that

since they have completed their studies and have a significant amount of experience, they do not need additional education. This is a misconception which the Saudi government is trying to correct in the Sixth Development Plan (1995-2000), which emphasises on-the-job training and upgrading management skills.

Effective development of Saudi managers is a major component of the national development plan. This relationship is essential because the Saudi Arabian government, by introducing the national development plan, is trying to accelerate the growth of the country to keep up with the world's technology. Education, therefore, is viewed as an ongoing process. With respect to this, Matheson states:

In recognising the joint relationship between national development of managers and administrators any emerging country must therefore ensure that both the present managers and those of the future are equipped with the knowledge, attitudes and skills, the technical, conceptual and human abilities and the philosophy of accomplishment that will enable it to create and maintain its place in a changing world. (Matheson, 1978: intro. p. xvii)

Education and training are not the same. An MBA or a PhD does not automatically equip an individual with the requisite skills to perform a particular task or manage people. Nor does a degree in management guarantee a young Saudi direct entry into a middle or senior management position in a Saudi firm. This is why the Sixth Development Plan puts more emphasis on on-the-job training for Saudis.

There are plenty of Saudi graduates with degrees which do not relate to the recruitment needs of Saudi companies. There is a mismatch between education on the one hand and the real needs of the Saudi economy on the other. It's a prime concern of Saudi planners and developers that the expectations of young Saudis may not be met and so there is more focus on on-the-job training. (From a telephone conversation with Rachid Hassan, Business and Finance Editor, *Asharq Al Awsat*).

MD specifically pertains to the development of managerial skills, either for existing managers or those being assigned to management positions. The development programmes are vital to success in the global marketplace as the operations differ significantly from doing business in a single domestic market. International MD can be defined as the process of assisting management to not only improve present skills but to be trained in new skills that would be required for working in a different culture, with a culturally diversified workforce, different consumers, and different political systems.

A relatively low percentage of all respondents, 46.5 percent, supported the statement: “MD strategies designed for the local operation are not appropriate for a foreign environment” (B20). Furthermore, the responses indicated that not all managers recognised the importance of MD in their organisations. MD is not a new term, but one that has been included in managerial texts and articles for many years. However, this does not mean that respondents were necessarily familiar with the term, which perhaps, in hindsight, should have been defined in the questionnaire. Those who supported the statement recognised that such programmes are vital to a global operation due to the fact that the training programmes designed for domestic markets do not include the situations and problems that management will face when dealing within a global market. A breakdown by nationality in assessing the validity of this statement showed that 48.6 percent of Saudi managers agreed or strongly agreed with this statement whereas 44.5 percent of non-Saudi managers had the same opinion.

Additional aspects of managerial thinking towards HRM policies and practices were explored in Chapter 6. Table 6.20 identified seven statements in the questionnaire regarding HRM and HRD. The questions pertained to the role of HRD and HRM in the organisation. The statement, “MD strategies designed for the local operation are not appropriate for a foreign environment” (B20), received only 46.5 percent approval. The

sample therefore rejected the statement and the six variables of age, nationality, qualification, experience, type of industry and type of company did not alter this outcome (See Chapter 6, Table 6.1). This would be attributed to the fact that many Saudi managers were not prepared to enter the global business environment at the time of the survey

Responses to statement B8, “Effective international HRM is increasingly being recognised as a major factor for success or failure in international business”, received 75 percent support. This indicated that the majority of managers were aware that HRM plays a significant role in a company being successful in a foreign environment.

B11, “HRD should act as a trigger for wider HRM policies and activities”, received an overwhelming majority at 84.7 percent. This statement, at face value, indicated that the majority of managers had knowledge of HRD and its impact on the organisation’s activities as well as on management policies.

B21, “Firms that train personnel for the global environment have a competitive edge in the marketplace” also received overwhelming support with 86.6 percent. This was encouraging as it recognised that training is vital to preparing managers to function in a foreign environment. While the response to this statement is positive, it was important to identify the fact that if a company is to have a competitive edge in the marketplace, they must expect to implement training programmes that will support the planning and strategies for entering the global market.

B6, “It is increasingly recognised that the effective management of human resources should be a major goal of the organisation, international and domestic”, was also expected to receive overwhelming support. The responses indicated that managers recognised the importance of HRM. Those respondents who did not support the statement were from smaller companies with little or no experience of HRM or HRD. Those in larger organisation would have more experience of the subject and recognise its importance, while

those in smaller companies, where there is not a need for a separate department, would not respond favourably to the statement.

B4-2, "In a multicultural environment, employees below the level of management require specific T&D", received 89.5 percent support. While a favourable response was expected, those that did not agree fell short of recognising the importance of all employees having specific T&D if they are to work in a foreign environment, even though they may not be assigned managerial responsibility. A company operating in the global marketplace must go beyond training managers as the entire organisation must act and think globally. This means that employees at all levels must have specific T&D if the company is to be successful in a new environment.

B15, "HRD must integrate all its activities to ensure that the organisation can retain and motivate its employees", received a 92.2 percent agreement. This indicated that the respondents were familiar with the impact of T&D on motivation. The issue is important for domestic as well as international operations if an organisation is to prevent a high turnover of staff, reduce absences and in general provide positive and active encouragement to participate in T&D programmes to ensure employees remain with the organisation.

One of the basic principles of MD is that it is about providing opportunities for managers to develop themselves. Thus managerial development takes place when the managers themselves are most motivated and committed to learn. The organisation and its T&D specialists create the learning opportunities and environment, but it is up to the individual to take full advantage of such opportunities (Muna, 1989).

SUMMARY

The hypothesis that "MD is central to the improvement of managerial skills and effectiveness" was rejected. Managers with higher levels of education did not support

the statement, whereas those with secondary education had a better appreciation for the need for management programmes to be implemented in the organisation for the purpose of developing management skills of those in management positions, as well as preparing men and women for such positions.

As previously mentioned (Chapter 6), one explanation as to why this hypothesis was rejected by managers with higher education may relate to their belief that they do not require additional training and/or development because they already have the necessary skills to be an effective manager. However, those with only secondary education realise their shortcomings and see MD as essential to their career progression, but realise that due to lack of senior management commitment and/or budget constraints (See above), this may be difficult to achieve.

KEY CHARACTERISTICS OF THE INTERNATIONAL MANAGER (HYPOTHESIS 5)

Hypothesis 5: In globalising a company, HRD provides the following managerial competencies (in order of importance):

- i. Strategic awareness
- ii. Adaptability to new situations
- iii. Sensitivity to different cultures
- iv. Ability to work in international teams
- v. Language skills.

This proposition was based on the belief that each of these skills (See Table 8.3) were important if a manager, and a company, are to be effective in the global marketplace. These skills were taken directly from the results of Barham and Devine's study (1991) because of their importance to the development of global managers. However, the Barham and Devine study is now over four years old and the main objective of this hypothesis was to ascertain whether these skills are still considered important by global

managers or have their priorities changed in such a way as to warrant a new approach to global management.

Table 8.3 The Five Most Important Characteristics of International Manager in the Present Study and in Barham and Devine's Study

Present Study	Barham and Devine Study
1. Language Skills.	1. Strategic awareness.
2. Adaptability in new situations.	2. Adaptability in new situations.
3. Strategic awareness.	3. Sensitivity to different cultures.
4. Understanding international marketing.	4. Ability to work in international teams.
5. Awareness of own cultural background.	5. Language skills.

The data collected by the present study found that the order of importance of the above competencies has altered dramatically and that as a consequence, the hypothesis is rejected as it stands. However, three of the competencies as reported by Barham and Devine, namely, strategic awareness, adaptability to new situations and language skills, also appear in the findings of the present study but not in a corresponding order, while the findings of this study identified the presence of two other competencies (4 and 5) that did not appear in the top five of the Barham and Devine study.

The present study identified language skills as the most important competency for working in a foreign environment, whereas in the Barham and Devine study, they ranked fifth. The remainder of the findings of the present study, in descending order of importance are: adaptability to new situations, strategic awareness, understanding international marketing, and awareness of own cultural background (See Table 8.3). Alongside the findings of this study are the findings from the Barham and Devine study for comparison. It is likely, however, that the differences between the results

presented here and the research by Barham and Devine reflect a different orientation by managers in different countries - the managers in Saudi companies may have a more positive attitude towards language skills than managers in developed countries (Europe, especially UK, Japan and United States). All Saudi managers in major companies have to learn English so it is easy to understand why they rank language skills as the most important competency. Hence, language ability may be of more obvious relevance to managers in Saudi Arabia.

The best way to compare and contrast the findings of the present study and the Barham and Devine study, while testing the hypothesis simultaneously, is to consider each competency in order of importance (according to this study) against the order of importance of the Barham and Devine study and explain any differences that arise.

A recent survey by Adams et al. (1994), in relation to briefing requirements for expatriation, found that language was clearly an area of poor preparation for the global market. Over 50 percent of all respondents had no knowledge of the local language before leaving their home country. The same study indicated that speaking the basics of the language is more important in some countries than others. The survey by Adams et al. also found that of those respondents preparing to go the Middle East, almost 70 percent had no prior knowledge of the language compared with only 20 percent of those respondents preparing to move to western European countries. Of those respondents saying that they should have had more knowledge, two-thirds had no knowledge before departure for a foreign assignment. This clearly indicates that language training is not given the priority it should be given.

Another survey carried out by an international business magazine found that 85 percent of polled readers felt that the ability to speak a foreign language was very important to success as an international manager (Briscoe, 1995: 84). This appears to contradict the findings of Barham and Devine who ranked language skills as fifth in order of importance. The findings of the present survey, as far as language skills are concerned, are further supported by Coulson-Thomas who points out:

The language skills of individuals may be an important consideration when selecting the members of an international project group or team. A database of language skills can also allow customer inquiries to be routed and responded to by those with the most appropriate language skills. (Coulson-Thomas, 1992: 214)

In order to ascertain why language skills were regarded as the most important competency, a cross-tabulation was also conducted, using the six variables identified in Table 6.1 to see if these had any influence on the responses. This cross-tabulation found that, for example, 17.5 percent of those managers who only had a secondary education regarded language skills as being of paramount importance, compared to 58.7 percent of these having a higher degree and 23.8 percent of those with a university degree. In addition, responses to this competency were also analysed by type of company and it was found that 43 percent of multinational and 32.3 percent of global companies believed language skills were the most important characteristic needed by global managers. This is obviously influenced by fact that multinational and global companies are well established in the global marketplace and, in order to succeed in this market, managers with the necessary language skills will be required.

Experience was also considered to be an determining factor with regards to this characteristic; for example, 29.7 percent of managers with less than 5 years of managerial experience said this was the most important skill, whereas 46.7 percent of managers with 5-15 years experience said the same, and 23.4 percent of managers with over 15 years of experience said the same. This points to the belief that as a manager

acquires more experience, (s)he becomes more aware of the need for appropriate language skills until a stage is reached where these skills are taken as normal for the course.

Adaptability to a new situation ranked second in both studies (See Table 8.3). Blue and Haynes, however, found that adaptability to a new situation is a quality of paramount importance in assigning a candidate overseas. They further indicate that rather than relying on intuition to determine adaptability, the corporate evaluator is well advised to consider the following characteristics as highly relevant indicators of adaptability:

- An expressed desire for change or new challenge
- A variety of supervisory experiences
- A knowledge of one or more foreign languages (fluency is not necessary)
- Some overseas travel (even holiday travel or military service)
- Recent immigrant background or heritage
- Work experience with cultures different from the employee's own (for example, the urban or rural poor, Chicanos, blacks or American Indians)
- A pattern of positive and consistent performance appraisal clearly identifying the employee's co-operativeness and willingness to collaborate (Blue and Haynes, 1977: 62).

Adaptability to new situations applies not only to cultural differences, but also to the physical environment. This ability applies not just to the manager him/herself, but also to their spouses; for if managers are distracted by the discomfort faced by their spouses, then their ability to function effectively in the business environment will suffer accordingly, leading to possible failure (Adams et al., 1994).

Additional analysis was also carried out for this characteristic by cross-tabulating against the six variables mentioned in Table 6.1 to see what factors were influencing the respondents. This analysis found that, for example, experience in current position had a strong influence in the respondent's view of this characteristic. Of those respondents who regarded adaptability to new situations as the most important

characteristic, 58.3 percent had less than 5 years managerial experience, 16.7 percent had between 5 and 15 years, experience and 25 percent had over 15 years, experience. One explanation for this could be that managers need time to adapt to new situations and settle into a post, and those managers with little experience could considered this ability to be important if they are to become successful in their functions. By the same reasoning, managers with over 15 years, experience would be more mature, and as with everything else, older people tend to be slower to adapt to new situations and would therefore regard this ability as important. Analysis by industry type found that 83.5 percent of those respondents who considered this characteristic as the most important were from oil companies while only 16.7 percent were from non-oil companies. This indicates that managers from oil companies, which are already global in nature, recognise the importance of adaptability since they could be assigned to a position anywhere in the world.

It could be argued that as far as this competency is concerned, the proposition holds true: both this and the Barham and Devine study recognise the importance of managers' ability to adapt to a new culture or physical environment as a prerequisite to success in the global marketplace.

Strategic awareness ranked third in the present study while it was the most important competency in Barham and Devine's study. One possible explanation for this discrepancy is that there are only a few Saudi companies that rank globally and these are all in the oil sector. This, therefore, places a limit on the number of managers who would have an appreciation of the importance of strategic awareness. Managers need to focus on issues beyond their present function/position so that they do not think in too narrow a context:

Strategic awareness must be a prerequisite for building a 'transnational' approach to international business. (Barham and Devine, 1991: 22)

The ability to learn the fundamentals of global business will lead to a better strategic awareness of how organisation operate in the global environment. If managers in Saudi non-oil companies are considering entering the global marketplace, then they need to be more strategically aware than they are at the moment if they want to be successful in such a venture. The importance of strategic awareness cannot be ignored in a global context as Barham and Devine rightly point out, but the researcher of this study is of the opinion that strategic awareness (in a global context) is only possible if a manager also understands and acquires the appropriate language skills.

Cross-tabulation analysis using the same six variables (age in this instance) found that, of those respondents who regarded strategic awareness as the most important characteristic, 59.5 percent were mature managers and only 40.5 were younger managers. This suggests that as a manager gets older and acquires more experience in the global marketplace, strategic awareness becomes more important if (s)he is to operate successful in this arena. Analysis of this characteristic by type of company found that 21.6 percent of managers for international companies regarded this as the most important, with 40.5 percent from global companies and only 37.8 percent from multinationals. This, like language skills, was not considered to be important as a prerequisite for becoming a successful global manager by international companies in the early stages of globalisation, whereas multinational and global companies, already operating in the global marketplace, recognise the importance of strategic awareness. Nationality also appeared to be an influencing factor, with 45.9 percent of Saudi and 54.1 of non-Saudi managers regarding this characteristic as important. This could be due to the fact that non-Saudi managers have more experience in foreign assignments and, as a result, become more strategically aware of the way global markets operate. The most revealing result was with the qualification variable, with an overwhelming majority (81.1 percent) of managers with a university degree regarding strategic awareness as an essential managerial skill compared to only 13.5 with higher degrees, those who through attendance on an MBA and other business management courses,

would already have acquired an understanding of the importance of strategic awareness in a global environment.

This study identified that respondents regarded understanding of international marketing as the fourth most important characteristic of the international manager whereas the Barham and Devine study regarded the ability to work in international teams as being fourth. Why this should arise may be explained by analysing the data by cross-tabulation against the six variables again.

Looking at the type of company variable, it was found that of those managers who regarded this as being the most important characteristic, 14.9 percent were from international companies, 61.7 percent from multinational companies and only 23.4 percent from global companies. The reason why there was such a low response from managers in global companies could be due to their already having acquired experience of understanding international marketing by the fact that they work for a company that already operates in the global marketplace. Managers from multinational companies would have regarded this as an important characteristic due to their intermediate stage between international and global status and would therefore consider the acquisition of a better understanding of international marketing as an essential step towards globalisation. International companies based in Saudi Arabia showed a lack of understanding of the importance of international marketing, something that needs to be rectified through better education if these companies are to enter the global marketplace and become successful.

There was also a major difference between oil and non-oil companies, with 62.2 percent of managers from non-oil companies and 37.8 percent from oil companies regarding this as being important. Again, the reason could be that oil companies, being global and operating in international markets, would already have an understating of these markets while non-oil companies, being mainly international in nature and

seeking to expand globally, will see a manager's ability to understand international marketing as important. This contradicts the analysis based on the type of companies variable, possibly due to the respondents being unclear as to the distinction between type of company and type of industry, and further clarification is needed.

Another marked difference is the presence of one's own cultural awareness in the present study, which was absent in the top five of Barham and Devine's work. The relative high ranking of this item reflects the nature of Saudi society, which is different in many ways from that of developed countries. This places a special responsibility on Saudi managers to maintain their cultural traditions, irrespective of circumstances, even when working as a member of an international team in a multi-cultural context. Smith comments on the overall situation regarding the international manager:

Effective international managers were said to be those who were adaptable, flexible, open-minded, speaking in foreign languages, and making friends with those of many nationalities. (Smith, 1992: 46)

Adams et al. (1994) propose that cultural sensitisation, with acceptance of cultural differences and identification of personal cultural baggage, is a good foundation for working in a new cultural environment or working with people from other cultures. Awareness of one's own cultural background was reported as one of the five most important characteristics in the present study and this is important as it will lead to a better understanding and knowledge of other cultures. Hendry and Pettigrew (1992), for example, indicate that French firms were much more positive about the need for graduates to have a knowledge of European cultures as part of their education and to gain experience working abroad. This characteristic was almost ignored in the Barham and Devine study: not only did it not appear in the top 5, it was also the last characteristic (See Table 7.5).

In order to understand this further, a breakdown by the six variables was also carried out for this characteristic. Regarding the variable industry type, it was found that of those respondents who regard awareness of cultural background as the most important characteristic, 77.8 percent were managers from the oil industry while only 22.2 percent were from the non-oil industry. This is understandable in that oil companies are already global in nature and have a number of expatriate managers in high positions, who realise that they are working in a strange, alien environment where their own cultural background, (westernised, liberal etc.) will make them more conscious of the differences between various cultures. Managers for non-oil companies, because they lack the same type of experiences as oil company managers, are not so concerned with the importance of this particular managerial competency. However, as non-oil companies grow and expand into the global marketplace, this attitude will need to be changed if they are to become successful. Similar results were obtained for the nationality variable, with 66.7 percent of non-Saudis being more aware of their own cultural background than their Saudi counterparts (33.3 percent), and the reasons appear to be the same as for the industry type variable as explained above.

One interesting result related to the variable of experience in current position, with 55.6 percent of those managers having less than 5 years, experience being more aware of their own cultural background than those with 5 to 15 years experience (33.3 percent) and those managers with over 15 years of experience (11.1 percent). This result suggests that managers who are just commencing their international careers are more self-conscious but as they become more experienced in the international environment, they gradually lose this self-consciousness about their own cultural background over a period of time and become more cosmopolitan.

An explanation for the differing results of the two studies is that the present study involved a larger number of respondents than the Barham and Devine study which had a significant impact on the ranking of the key characteristics of the international manager. A detailed

explanation of the differences is given in Chapter 7. Differences in responses in studies could be due to the experience of the respondents, the way in which a question is worded, and the number of respondents. What is important in all of these studies is the fact that there is a general agreement that the manager planning to work in the global marketplace must have specific skills. In addition to these skills, he or she must be adaptable to a new situation which can only be achieved if the individual has been carefully selected and well trained.

Awareness of one's own cultural background will reduce the in-country learning curve and avoid costly faux pas early in the posting. Obviously, learning cultural norms, such as not passing objects with the left hand or showing the soles of your feet, will avoid early upsets. Understanding the background of the history of the country and how political and religious systems work before arrival will also make integration easier. Oil companies, however, had the highest score (See Table 6.16) regarding this point. Managers in non-oil companies may have insufficient knowledge of the importance of cultural awareness, which can lead to many problems. For example, "Strictness of the Muslim religion in Riyadh should be explained. It has caused so many problems for expatriate managers." (Adams et al., 1994: 11) Enhancing cultural awareness and improving the cross-cultural skills of both expatriates and nationals can be beneficial to all parties (Muna, 1989: 102).

SUMMARY

The results of this study indicate that if the order of competencies as stated by Hypothesis 5 are taken to be rigid, then this hypothesis was not supported since the order identified by the present study did not match that of Barham and Devine. However, as there are three competencies that are present in both studies - language skills, adaptability to new situations and strategic awareness - albeit in a different order, it could be argued that the results were inconclusive and it would be imprudent to reject this hypothesis altogether.

It is the opinion of the researcher that the Barham and Devine study relating to these competencies is now out of date as far as their order of importance is concerned. This study found that language skills are regarded by the respondents [of this survey] as the most important competency needed by an international manager. This is based not only on the responses of a cross-section of Saudi and non-Saudi managers; it is also supported by a cross-tabulation of the findings according to a number of variables, such as qualifications, type of company and experience.

Another important characteristic identified by this study but which was almost totally ignored by Barham and Devine, was awareness of one's own cultural background. This is obviously an important finding since any manager contemplating accepting an international assignment will be highly conscious of his/her own cultural background and how he/she will react to other cultures will be determined by this. Further support was given to the importance of this competency by an analysis according to a number of variables, particularly nationality, experience in current position and type of industry. As a consequence, the importance of the results of the present study cannot be ignored regarding essential competencies needed by an international manager.

THE WILLINGNESS TO ACCEPT INTERNATIONAL POSTING (HYPOTHESIS 6)

Hypothesis 6: Younger managers will be more willing to accept international positions than older managers.

Hypothesis 6 was based on the proposition that younger managers have a greater interest in advancing their careers by accepting foreign assignments and gaining relevant experience to assist them in their objectives within an organisation upon their return. It was also believed that younger managers would be more mobile, having little or no family commitments, that is to say, they may be unmarried, and if they are, may not have any children, or if they do

have children, these may be of pre-school age. Therefore, accepting a foreign assignment would not be as disruptive for them as it would be for more mature managers.

Older managers, on the other hand, may be well established within their organisations and may feel that their career goals should be better achieved in their current positions. In addition, it was hypothesised that older managers would have family commitments, with a wife (who may also have a career of her own) and children of school age, and that they would therefore, be unwilling to accept a foreign position because of the disruption this would cause. Accepting a foreign assignment, in most cases, will have a major impact on the family, which in turn affects a manager's ability to perform effectively in the new location.

The results shown in Table 7.11 indicate that 50 percent of older managers were more willing to accept international positions than their younger counterparts (38.4 percent) and the sixth hypothesis is therefore rejected. The reasons why this should be the case are discussed below.

One explanation that can be construed from the data collected relates to the fact that, according to the respondents, the majority of younger managers were assigned to international positions for only one year on average (72.7 percent), while older managers were given longer assignments as indicated in Table 7.14. If this is the case, then young managers, knowing that an assignment is only for one year, will not be willing to accept the disruption uprooting may entail on an annual basis for the sake of career progression or experience. Furthermore, a one-year assignment will not give the manager adequate time

to settle into the post and function effectively and by the time the adjustment has taken place, then it will be time to go back home.

Accepting or not accepting a foreign assignment involves many considerations. While family ties are important in the decision-making process, employees must also look to their future in the organisation, and decide whether such an assignment would enhance their potential for higher positions. The respondents in this study expressed the view that the strongest influences for not wanting to accept a foreign position were potential disruption to children's education, lack of a co-ordinated approach across the company, and fear of losing influence/visibility at the corporate centre (See hypothesis 7 and Chapter 7):

There are inevitably complications to family life which may make some individuals reluctant to accept a [position] abroad. ... In addition, there is considerable uncertainty in most organisations which can discourage individuals from risking absence from headquarters. (Preston and Jones, 1995: 143)

In the above cases, the individual, whether young or old, would not want to accept a foreign assignment, giving greater importance to the family, and recognising the fact that failure to accept the position could have a negative impact on his/her future with the company.

The research by Barham and Devine (1991) indicates that only 38 percent of their sample were more willing than they were 5 years ago to accept international postings. This stems from enthusiasm generated by future prospects or because 'managers' perception of jobs abroad is not so narrow today' (Barham and Devine, 1991: 28). Furthermore, Coulson-Thomas (1992: 219) argues that the extent to which managers are willing to accept international postings varies significantly between countries. For

example, "Dutch, Irish or UK managers might be more willing to relocate than a French or German manager."

In this study, only 11.6 percent of all respondents were unwilling to accept an international posting split evenly between the two groups (See Table 7.11). Some of the reasons for this will become clear when the constraints that companies might face in giving managers international experience will be discussed in Hypothesis 7. This finding is far removed from the view of Patterson's, who argued that managerial mobility in the international arena is vital:

The more American executives we have who are familiar with the rest of the world, whether they operate there or not, the richer our resources will be for competing in the future. (Patterson, 1990: 16)

The findings of this study disagreed with the results of a study conducted by ACOST (The British government's Advisory Council on Science and Technology) regarding the relative willingness of younger and older managers to accept an international position. The ACOST study indicated that graduates in Britain are usually younger, and are more willing to go abroad (Hendry and Pettigrew, 1992). Also younger managers are more willing to go abroad for the following reasons:

1. Because these individuals are in such early career stages, they are psychologically flexible. They haven't yet set up rigid categories of the 'right' way or 'appropriate' activities. It is hoped that they will perceive many ways as 'right' through this early exposure to pluralism and, what is more, remain permanently flexible and broadly based as they become middle- and senior-level managers.

2. These younger managers are freer for international assignments. Often they are not married. If partnered, they either have no children or very young children. Hence, they are more mobile. Transplanting an older manager often means that he or she has a working spouse and children in school, both conditions that make high-potential candidates reluctant to accept transfers. Furthermore, older managers often require more extensive amenities such as private schools for the children, executive search firms for working spouses,

large households, elaborate furniture, the need to move a large number of personal belongings, and a living standard that requires expensive housing and exclusive neighbourhoods. (Derr and Oddou, 1993: 438)

In trying to understand why younger managers were less willing to accept an overseas position than their older counterparts (thus rejecting this hypothesis) a breakdown by the six variables was done. Of the results that stand out, 36.8 percent of younger managers cited the unwillingness of the subsidiary to release them compared to 16.7 percent of older managers. Furthermore, 33.3 percent of younger managers cited their partner's reluctance as reason for declining overseas assignment, with only 21.1 percent of older managers saying the same. Disruption of children's education was the most important reason being given, with 41.7 percent of younger managers and 39.5 percent of older managers expressing concern with regards to this. Finally, a surprisingly large number of older managers (41.7 percent) expressed a fear of losing influence at corporate headquarters as a deterrent to accepting an international assignment compared with only 20 percent of younger managers. While this fear may be an important factor, it still does not prevent 50 percent of all older managers from agreeing to be posted abroad.

In general, managers in Saudi companies, whether they are Saudi nationals or not, have a positive attitude to working internationally (88.4 percent of the respondents in this study were willing to take up an international assignment). But, being willing to take international assignments does not mean that a manager is qualified for such positions, nor that the manager will be successful as an expatriate (Brett and Stroh, 1995: 406). There is, however, substantial research indicating that intent is the best attitudinal predictor of future behaviour (Hulin, 1991), and that intentions predict subsequent domestic relocation decisions (Brett & Reilly, 1988). Reluctant expatriates have also been shown to have greater difficulties adjusting than do those who are eager for a new experience (Brett and

Stroh, 1995). Spouses' pre-departure attitudes also seem to make a difference to their adjustment (Barham and Devine, 1991). Thus, a manager who is reluctant to accept an international position is not a particularly good choice for an international assignment unless the reasons for that reluctance can be identified and resolved.

The results indicated extensive variation in the desire to work in a foreign environment. There is no explanation as to the reasons for such variation without additional research to identify those factors which would make such an assignment attractive for specific periods of time. As an example, the country of assignment, the family status and level of position may all have a direct relationship to an employee's acceptance of a foreign assignment. The issue is important as the study found that it was the opinion of the majority of respondents that there were no signs that the length of international positions would be changing. Therefore, it can be assumed that foreign assignments will continue to be for one to five years for the majority of global companies. However, the location of postings might have an important bearing on a manager's perceptions. For example, "A Finnish company felt that managers were more willing to go to Western countries than elsewhere. One UK company said that managers were quite willing to go to the USA, for example, but were less willing to go, say, to Nigeria." (Barham and Devine, 1991: 32)

SUMMARY

The hypothesis that "Younger managers will be more willing to accept international positions than older managers" was not supported. The results show that 50 percent of the older managers were willing to accept an international assignment compared to only 38.4 percent of their younger counterparts. The results also show that younger managers were assigned to international postings lasting an average of only one year, while mature managers were assigned to positions of a longer duration (See Table 7.14).

As discussed in Chapter 3, managers need consistent T&D in order to develop capabilities to manage in a foreign environment. The type and degree of training a manager receives can make the difference between a successful and unsuccessful experience. HRD programmes that train men and women to work in a particular culture can benefit the individual as well as the company. A global manager can better cope with situations if the cultural framework is understood (De Wilde, 1991: 41). While training may not prevent all failures in foreign assignments, careful selection, indoctrination, and cultural training can minimise poor performance as well as family problems involved due to the foreign assignment. The factors discussed with regard to Hypothesis 7 are important considerations.

IMPORTANT CONSTRAINTS THAT STOP COMPANIES GIVING
INTERNATIONAL EXPERIENCE TO MANAGERS (HYPOTHESIS 7)

Hypothesis 7: Factors that prevent managers from accepting international assignments
(in order of importance):

- i. Disruption of children's education.
- ii. Spouse/partner reluctant to give up own career.
- iii. Fear of losing influence/visibility at corporate centre.
- iv. Organisation finds difficulty in re-absorbing returning managers.
- v. Lack of co-ordinated approach across the company.

This hypothesis attempts to ascertain whether the findings of Barham and Devine are still valid in present economic circumstances and whether the same five factors stated above still influence managers in their decision to accept an international position.

Kirkbride (1994) states that managers and scholars agree that there is no such thing as a universal global manager. However, there are a number of factors which have a direct effect on the individual's ability to perform effectively in a foreign position. The complexity of global management demands that a manager play many roles in different environments,

which places great importance on training and preparation in order to be successful. Those factors which play a significant role in the manager's ability to perform at his or her highest level are shown in Chapter 7, Table 7.13. These must be considered from both short and long term perspectives (Storey, 1992).

Table 8.4 The Five Most Important Constraints that Stop Companies Giving International Experience to Managers in the Present Study and Barham and Devine's Study

Present Study	Barham and Devine Study
1. Disruption of children's education.	1. Disruption of children's education.
2. Lack of co-ordinated approach across the company.	2. Spouse/partner reluctant to give up own career.
3. Fear of losing influence/visibility at corporate centre.	3. Fear of losing influence/visibility at corporate centre.
4. Subsidiaries in non-parent countries unwilling to release managers.	4. Organisation finds difficulty in re-absorbing returning managers.
5. Spouse/partner reluctant to give up own career.	5. Lack of co-ordinated approach across the company.

Of the five factors from the Barham and Devine study being considered in this hypothesis, four were also present in this study but in a varying order of priority. Both the Barham and Devine study and the present research ranked the disruption of children's education as the most important factor that prevents managers from accepting international assignments, and fear of losing influence/visibility at corporate centre also ranked joint third in both studies. Spouse/partner reluctance to give up own career and lack of co-ordinated approach across the company were also present in this study, but in a different order. One factor that did not appear in the top five of the Barham and Devine study but which is identified by the respondents in this study as an influencing factor is "subsidiaries in non-parent countries unwilling to release managers."

Although four out of the five factors are also present in this study, their order of importance is not the same as that found by Barham and Devine, and this hypothesis is rejected as it stands. However, the very existence of these four factors in this study proves, to some extent, that hypothesis 7 cannot be rejected altogether and it could be argued that the results, if not supportive of the hypothesis, are inconclusive.

Table 8.4 shows that managers are reluctant to accept overseas positions when they have children in school. Regarding Saudi expatriate managers, this would not be a problem if the Saudi government sends qualified teachers throughout the world to establish Saudi schools and service Saudi nationals living abroad (see for example Brett and Stroh, 1995). In fact, the Saudi government has established several academic schools in most of the developed countries, such as Great Britain, Germany and the USA. Since the family factor is one of the primary constraints that stop companies giving international experience to managers, Saudi companies should assess the suitability of the spouse and children for living abroad (Tung, 1982).

The disruption to children's education as a constraint was highlighted further by a cross-tabulation analysis using the six variables. According to industry type, of those managers who gave this as a factor in their decision to accept an overseas post, 71 percent were from oil companies while 29 percent were from non-oil companies. Obviously, non-oil companies, because many are still international or multinational, have yet to encounter any great problems placing managers with families overseas, whereas oil companies, being global, are familiar with the disruption associated with international postings and the impact this can have on a manager and his/her family. Experience was also an influencing factor, with managers of less than 5 years' experience (43.8 percent) stating this as important, while there was a great difference between managers of 5-15 years experience (37.5 percent) and those with over 15 year experience (18.8 percent). Managers with over 15 years' experience, for example,

tend to be older, with grown-up children, so this may not be a major factor, whereas managers of less than 5 years' experience are younger, and may have a spouse and children of school age and would regard disruption to their education as an important factor. Saudi managers also regarded the potential disruption to children's education as an important factor at 75 percent compared to 25 percent of their non-Saudi counterparts since family life in Saudi Arabia has greater importance than in most western cultures due to social, religious and cultural influences.

The present study identified a lack of a co-ordinated approach across the company as the second important deterrent when managers consider accepting an overseas posting. There are a number of ways this response can be interpreted. First, it could be argued that the various components of the company are not fully in accordance with the decisions to send a manager abroad, or that there is potential conflict between various departments as to who to send. Another possibility relates to the staffing decisions a company has to make with regard to its overseas subsidiary: whether to send parent country nationals to manage, employ a host country national or use a mixture of both. Until this has been ascertained, a manager may be reluctant to accept an overseas assignment, that is to say, is (s)he going to be in charge of the operation or working for someone else (whether parent country nationals or host country national).

Cross-tabulation analysis showed that, by type of company, 22.2 percent of managers from international companies gave a lack of a co-ordinated approach as an important factor that prevent companies from giving managers international experience. This is understandable, particularly in Saudi Arabia, where such companies are just beginning to consider expanding their organisation into the global marketplace. The results for managers from multinational companies at 33.3 percent and global companies at 44.4 percent suggest that these companies, because of their widespread world operations, do not have a co-ordinated approach when assigning managers to international positions. The experience variable also showed that 55.6 percent of managers with less

than 5 years' experience, those just beginning their international careers, regarded this as an important factor, compared to 33.3 percent of managers with 5-15 years' experience and only 11.1 percent of those with more than 15 years' experience. This suggests that as a manager acquires more international experience, the less important this factor becomes.

Fear of losing influence/visibility at the corporate centre ranked joint third in both this study and in Barham and Devine. This is obviously an important factor, particularly for those managers in senior positions, or where career aspirations requires one to stay close to where the action is to identify promotional prospects (Dowling et al., 1994). While having completed an international assignment adds prestige and enhances career prospects, any benefit this provides may not be enough to compensate for the loss of close proximity to the corporate centre. Protracted absences from the corporate centre where all major policy decisions are made will mean that a manager, particularly of high rank, will not be able to participate in the decision-making process.

Cross-tabulation analysis showed that managers from global companies felt this to be an important factor with 52.6 percent, managers from multinational companies at 31.6 percent and managers for international companies at 15.8 percent saying the same. This clearly indicates that managers from global companies may have the most to lose if they stay away from the corporate centre for an extended length of time. Regarding the type of industry, managers from oil companies at 63.2 percent again felt this to be an important consideration that prevents them from taking international assignments, with managers from non-oil companies at 36.8 percent. Exactly the same results were obtained regarding the nationality variable, with non-Saudi managers at 63.2 percent and Saudi managers with 36.8 percent giving this as a reason for their reluctance to accept an overseas position.

These results show that expatriate managers from global companies, operating mainly in the oil industry sector in Saudi Arabia, feel that long absence from the corporate centre will mean lost opportunities in terms of career prospects; being far removed from the decision-making core of an organisation and unable to participate in that process will be not in their best interests if they accept an overseas post.

Fourth in order of importance was subsidiaries in non-parent countries being unwilling to release managers as an important constraint that prevents a company from giving managers international experience. This is probably due to the small pool of experienced managers that an overseas subsidiary often has, and as a result, that subsidiary not wanting to lose these experienced managers to another subsidiary elsewhere in the world.

Using type of company as a variable for a cross-tabulation analysis, the results indicated that of those managers who regarded this as constraint in acquiring international experience, 50 percent were from international companies and 50 percent from multinational companies, with no managers from a global company giving this as the most important reason. This result can be explained by the fact that this type of company, particularly international companies, needs all the experienced managers they have for subsidiaries already established or in the process of being established and, until such subsidiaries are well-entrenched in the host country, these subsidiaries will not release managers to go and set up another subsidiary for the parent company elsewhere. An industry-based analysis showed that of those respondents who regarded this as the most important constraint, all of them were from the non-oil sector, which indicates that companies in non-oil industries regard their managers, who may already be working for a

subsidiary, as important assets to be utilised where their experience will be most useful. Also, experienced international managers working for international companies, may be in short supply and, as a consequence, will be in great demand. Non-Saudi managers felt particularly strongly about this, with 80 percent regarding this constraint as important compared to 20 percent of non-Saudis. Mobility of repatriate managers, in fact for all managers with international experience, is an important consideration for career advancement as well as the need to acquire as much international experience as possible and any constraint that prevents this will be resented by managers.

A constraint that ranked second in order of importance in the Barham and Devine study but ranked fifth in this is spouse/partner reluctance to give up their own career. This is a major consideration in most western cultures where the spouse also has a career of her/his own, particularly with the increase in the number of women going back to work with some of them having successful professional and managerial careers. Where a partner/spouse is successful in his/her career, the chances are that (s)he is unlikely to give this up and follow her/his partner on an overseas assignment (Dowling et al., 1994).

However, Saudi women tend not to have careers so this is not an issue for Saudi managers applying for an international position. Yet with increasing numbers of Saudi women now entering university, this situation could become a factor in the future. Religious, social and cultural factors also tend to reduce the importance of this constraint in countries such as Saudi Arabia, so the reluctance of spouse/partner to give up their own career would, therefore, only apply to expatriates working in Saudi Arabia.

Cross-tabulation analysis revealed that this constraint was felt the strongest among younger managers, with 63.6 percent saying this was a major factor compared to 36.4 of other managers. Of those respondents who said that spouse/partner reluctance was a constraint, 36.4 percent were managers with less than 5 years' experience and 45.5 percent with 5-15 years' experience, with older manager with over 15 years experience at 18.2 percent saying the same. However, the nationality variable revealed that there was not a great deal of difference between Saudi (45.5 percent) and non-Saudi managers (54.5 percent) with regards to this constraint. The reason for the high Saudi percentage could relate to the fact that Saudi women would feel uncomfortable abroad due to religion and social reasons.

SUMMARY

While the impact on the family is of great importance, as is the individual's ability to return to the home country once the assignment terminates, there are other factors which top management must be aware of before assigning an employee to a foreign position. Good communication with the head office plays a very important role in job satisfaction for the foreign manager as well as the organisation. With the introduction of modern technology today, communication should not be a problem. Such communication can benefit the employee and help him or her not to feel in an isolated situation.

The foreign environment itself will have a direct impact on the individual if, for example, the host country subsidiaries are unwilling to accept the manager, or the immigration/employment laws of the host country have restrictions the individual or the company cannot meet. These issues need to be resolved before a manager is selected for an assignment in a country that places restrictions that make it difficult, if not impossible, for the individual to function. The failure of a manager in a foreign position can often be directly related to top management's lack of research and preparation before making a decision to open an office in a particular country. This places great importance on top

management having an understanding of how to function in the global marketplace as discussed in Chapter 2.

Overall, the data from this study and the cross-tabulation analysis show that this hypothesis, containing four out of five constraints originally cited, albeit in a different order, was partially supported but contained some differences of opinion, such as the relative importance of spouse/partner reluctance to give up own career, that will require the order of the Barham and Devine findings to be reconsidered in the light of the evidence from this survey.

SELECTION CRITERIA FOR INTERNATIONAL POSITION (HYPOTHESIS 8)

Hypothesis 8: Managers for international assignments require the following skills (in order of importance):

- i. Technical skills/expertise for the job
- ii. Potential of manager to develop in the new role
- iii. Knowledge of company systems, procedures, etc.
- iv. Understanding the market and customers
- v. Appropriate language skills

This hypothesis was formulated to test the current validity of the Barham and Devine study in the context of the selection criteria for managers ready for international assignments. The top five selection criteria, as identified by Barham and Devine, have been reproduced for this hypothesis in order of importance and the objective of this hypothesis is to ascertain whether the respondents of this study regard the same criteria as still being relevant, or whether other criteria are also considered more important. The five selection criteria identified by Barham and Devine are shown in Table 8.5 alongside the findings of the present study.

Table 3.5 The Five Most Important Selection Criteria for International Position in the Present Study and Barham and Devine's Study

Present Study	Barham and Devine Study
1. Technical skills/expertise for the job.	1. Technical skills/expertise for the job.
2. Proven expatriate track record.	2. Potential of manager to develop in role.
3. Nationality .	3. Knowledge of company systems, procedures, etc.
4. Good health.	4. Understanding the market and customers.
5. Appropriate language skills.	5. Appropriate language skills.

The reasons why the same five selection criteria were used for this hypothesis was based on the belief that managers in Saudi companies need specific expertise, and that expatriates are usually employed because such expertise may not be available in the Saudi labour force at the present time. Also, it is important for the manager to develop into the role as quickly and effectively as possible. In order for a manager to succeed in this role, (s)he has to have the potential to become an effective international manager and this also requires that (s)he has the appropriate knowledge of company systems, procedures and organisational objectives if (s)he is to assist in the fulfilment of these objectives. Furthermore, an understanding of the markets and customers of the country is also needed along with the appropriate language skills. Selection of the right person with the right skills is the central part of the expatriation process. For practical and economic reasons, they are normally selected from existing employees, rather than recruited from other companies. Companies assigning personnel overseas should prepare their employees in order to reduce the chances of failure (i.e. the expatriate returning before the tour is complete) and to ensure that the expatriate is as effective as possible, as quickly as possible, when (s)he arrives in the new position (Adams et al., 1994).

Selection of the individual by top management requires an extensive assessment of the individual's ability and the new environment to determine if there is a match. Compatibility between an individual and the culture of the host country is often a problem and the fault lies on both sides. While cultural diversity is gaining acceptance

in many foreign environments, there are some who object or resent those from other cultural groups. If the environment is not favourable for employees from certain cultural backgrounds to work in a foreign environment, for whatever reason, the better decision may be to employ and train a national. To not do so would make it difficult, if not impossible, for the individual to find acceptance in the office, the community, and the country. The result would be due to selection of the wrong individual rather than the individual's ability to perform in a certain environment.

Looking at the results of the present study and comparing them to the findings of Barham and Devine, it was found that technical skills/expertise for the job occupied the top position in both and the only other criterion that was present in both studies related to appropriate language skills which ranked joint fifth. Three other selection criteria were identified by the present study that did not appear in the top five of Barham and Devine's work, namely proven expatriate track record as second, nationality as third and good health as fourth. Two of these also appeared in Barham and Devine but did not rank among the top five, while nationality was not a criteria that was considered to be important at all (See Table 7.7).

Although technical skills/expertise for the job as well as appropriate language skills were found to have the same importance and to be in the same order as in Barham and Devine, the remaining three selection criteria identified by this study do not support this hypothesis which is therefore rejected.

Foreign assignments place significant responsibilities on the individual, therefore it was hypothesised that technical skills and expertise for the job would have the highest priority, which was proved to be true by this study. Research by Brewster (1991) regarding selection criteria for expatriation amongst multinational companies concludes that technical expertise is considered the most important factor. The present study agrees that technical

expertise is a pre-requisite for selection for an overseas assignment; that is to say, that the individual being selected must be competent in his job to be considered for an expatriate position. However technically competent the expatriate may be, the ability to manage in a different culture is also important. In the same way that a technically incompetent expatriate will be ineffective, so will the expatriate who cannot adapt to different cultural norms:

If the expatriate insists on aggressively shouting orders at his Indonesian workforce he will probably get little work accomplished, even if he is extremely technically competent. On the other hand, if he doesn't understand his job the results will probably be just as poor despite all the culturally correct approaches. The degree of compromise between the two sets of skills is dependent on the job to be carried out, the degree of technical competence required and the skill of the local workforce. The ideal candidate for expatriation must therefore be flexible in his or her manner of dealing with people whilst at the same time being competent in his or her field. (Adams et al., 1994: 7)

An analysis of this finding was also done using the six variables and cross-tabulating the results in order to discover which variables had the most influence on respondents who regarded technical skills/expertise for the job as the most important selection criterion. This analysis found that managers from two types of company (multinational and global) regarded this criterion as important with 35.9 percent and 47.4 percent respectively, while managers from international companies did not consider it as important with 16.7 percent. Other responses were identified using the industry type variable, where 58.7 percent of respondents for oil companies regarded this criteria as important compared to 41.3 percent of managers from non-oil companies. The respondents from oil companies were no doubt influenced by the highly technical nature of the industry in which they operated.

Experience in current position was also an influencing factor regarding this selection criteria. Of those respondents who regarded this as important, 28.6 percent had under 5 years' experience, 44.2 percent had between 5 and 15 years' experience and 27.3 percent had over 15 years'. This indicates that in the early stages of an international career, emphasis is on the acquisition of experience while during the latter stages, the emphasis is on the actual management aspects, while the middle stage is concerned with the practical elements of the post. Another factor that influenced the respondents relates to the type of qualifications a manager has, with only 16.9 percent of managers with higher degrees regarding technical skills and expertise as important, compared with 70.1 percent of managers with university degrees and 13 percent of respondents with only secondary education. It could be argued that those with a secondary education have yet to realise that managerial posts also require technical skills/expertise for the job, while those with a university education already realise having the necessary technical skills and/or expertise for the job is an important managerial pre-requisite.

The study also found that a proven expatriate track record was considered to be the second most important selection criterion by the respondents, who obviously believe that in order to function effectively in an international position, a manager must have some prior experience in such a post. Unless a manager is exceptionally gifted and/or well trained to deal with the trials and responsibilities that accompany an international assignment, appropriate experience is essential for a manager to be successful in an overseas position, particularly if the position is senior and requires important decisions are made in often demanding circumstances.

In order to understand why a proven expatriate track record was considered to be an essential selection criterion by the respondents of this study, a cross-tabulation analysis was carried out, once again using the same six variables used throughout this chapter. Of the factors that had an obvious influence on the respondents, age, experience in current position, and nationality were the most important. For example, 88.9 percent of respondents who regarded these criteria as being important were older managers compared to only 11.1 percent of younger managers. Regarding experience, 33.3 percent of managers with more than 15 years experience considered this as important, with managers with less than 5 years at 44.4 percent and those between 5 and 15 years' experience rating at 22.2 percent. The respondents' nationality was also a determining factor with 88.9 percent of non-Saudis and 11.1 percent of Saudis regarding a proven expatriate track record as an important selection criterion. These results are important in that the respondents believe that with age comes experience, whether in general or in an international context, and it is this experience which will determine whether a manager will be successful or not in the global marketplace, and none are more conscious of this than expatriates already working overseas.

Nationality was ranked as third in order of importance by this study as an important selection criterion when choosing managers for overseas assignment. This is a surprise discovery as this was absent from the Barham and Devine study and the reasons why the respondents regarded this as important are unclear. Speculation can be made based on the belief that the nationality, and therefore the culture, of the manager chosen should correspond as closely as possible to that of the host country in order to prevent cultural misunderstanding and faux pas. Another possibility is that the respondents believe that

certain nationalities are better suited to working overseas and can adapt and relate more readily to the host country, or probably that certain countries have a history of providing a large number of expatriate managers (USA, UK and western Europe) who are successful and experienced in overseas locations.

Cross-tabulation analysis found that all six variables were influential regarding these selection criteria, some more so than others. For example the experience variable showed that 21.1 percent of those managers with over 15 years of experience believed nationality as a selection criterion was important, with managers of less than 5 years experience at 42.1 percent and managers with 5-15 years experience at 36.8 percent. Age was also a determinant with 68.4 percent of older managers considering nationality as important for selection purposes. Surprisingly, the nationality variable also showed that 63.2 percent of non-Saudi respondents regarded this as important compared to 36.8 percent of Saudi respondents. Similarly, the type of company also had an influence on the respondent with international and multinational companies at 26.3 percent each and 41.4 percent of global companies regarding nationality as a selection criterion as important. This result and the above analysis does not explain why nationality as a selection criterion is considered to be important by the respondents of the present study. This is obviously an important discovery and one that needs further in-depth research to clarify this issue.

The fourth most important selection criterion identified by this study relates to the subject of good health. This is something that does not appear in the top five of the Barham and Devine study and is not discussed at all by them. Furthermore, the lack of appropriate data and research into this topic means that generalisations have to be made.

Good health in an expatriate manager is important due to the cost implications of medical care in the event of a manager being taken ill. A manager has to be physically as well as mentally suited to the post assigned since a manager who is uncomfortable working in a foreign environment and culture and one who cannot relate to the local people will not be able to function effectively. Also if manager becomes sick while on an overseas posting and the illness is of a serious nature, the cost of medical care in the host country has to be borne by the employing organisation. If the manager has to be repatriated back to the country of origin, then this involves additional cost not only relating to medical treatment and transportation, but the cost of training a suitable replacement as well.

Cross-tabulation analysis by the type of industry revealed that 75 percent of managers from oil companies and 25 percent of non-oil company managers considered good health to be an important selection criterion. The difference between the two is understandable when one considers the fact that oil companies are global, and the cost implications highlighted above will be an important consideration when selecting a manager for an overseas post. Experience was again an influence in the respondents, with 37.5 percent of managers with over 15 years' experience stating good health was important compared to 25 percent of managers with less than 5 years' experience. The importance of this issue for more experienced managers can be explained by the fact that they tend to be older and realise that good health, particularly in a foreign environment, will be a factor for an organisation contemplating choosing an older manager for an overseas position. The age variable revealed similar results with all respondents who regarded good health as important being older managers, no doubt for the same reasons identified above.

The fifth most important selection criterion identified by both this study and Barham and Devine is appropriate language skills. The importance of this skill/characteristic has been discussed fully in hypothesis 5 above together with an analysis by the cross-tabulation method and it is felt that discussing this finding again would entail unnecessary repetition.

SUMMARY

The findings of this study have been analysed with regard to Hypothesis 8 and the evidence gathered suggests that this hypothesis is only partially supported, insofar as technical skills/expertise for the job and appropriate language skills are concerned. However, the rest of the evidence points to other selection criteria that the respondents identified as being important that appear to contradict Barham and Devine, which leads to the conclusion that this particular hypothesis is rejected.

Is there an explanation for the difference between the Saudi data and that of Barham and Devine? The respondents of this study, both Saudi and non-Saudi, based their answers on their knowledge and experience, which differed significantly from the respondents in the Barham and Devine study. When selecting an individual for a foreign assignment, none of these factors should be ignored. Concern for the qualities of the person, narrowly conceived, may be all the more misplaced insofar as many companies have a very limited number of people to choose from who are suitably qualified technically or can be spared from the home operation. In such circumstances, the selection of the right person becomes all the more important (Gertsen, 1990 and Hendry and Pettigrew, 1992). It is clear that these results are important and further research is necessary in this area to clarify the issues.

8.3.1 A BRIEF SUMMARY OF HYPOTHESES

The results of this study with regards to the testing of the eight hypothesis indicated a diverse response from those managers questioned in the survey. In some instances, the hypotheses were supported by the evidence from the study, while in other cases the results were inconclusive or partially supportive of the hypothesis. Hypothesis 1 was partially supported with the data indicating that while older managers rated a number of HRM policies and practices higher than their younger counterparts, young managers were also aware of the importance of HRM in a global context. Results regarding Hypothesis 2 were also inconclusive with Saudi managers rating some of the statements used to test this hypothesis higher than non-Saudi managers when significance tests were conducted but according to a straight percentage analysis of the responses, non-Saudi managers rated higher than their Saudi counterparts. Hypothesis 3 was supported by the data from this survey with the respondents generally agreeing that HRM and HRD must be integrated with corporate strategy with any differences not being statistically significant. Hypothesis 4, regarding MD, was rejected, particularly by those managers with higher degrees (MBA and other postgraduate degrees), the main reasons given being a lack of commitment to MD by senior managers or lack of funds.

The results regarding Hypothesis 5 were inconclusive in that, while three out of the five key characteristics identified by this hypothesis were present in the current study, their order of importance differed from that of Barham and Devine. Major differences were highlighted which suggest that the work of Barham and Devine has been superseded by the results of this survey. The willingness of younger managers to

accept an overseas assignment, as defined by Hypothesis 6, was not supported by the data from this study, which found that, contrary to the evidence from the literature, younger managers were less willing than older managers to accept international assignments. The results regarding Hypothesis 7 were similar to those found when testing Hypothesis 5, that is to say, inconclusive regarding the importance of those factors that prevent managers from accepting international positions. Although four out of the five factors were present in the current study to suggest support for the hypothesis, their order differed sufficiently to indicate rejection, but it would be imprudent to reject this hypothesis altogether. Hypothesis 8 was rejected, even though there was some evidence to indicate partial support, but this was insufficient to fully support the hypothesis.

8.4 COMPANY INTERNATIONAL PERSPECTIVES

Companies entering the world of international business in the 1990s may well ask if the challenges to be faced are any different to those which would have been encountered in the 1960s, 1970s or 1980s. Given the continual changes in world political and economic trends the answer is, almost inevitably, yes. (Woods, 1995: 3)

Researching the subject of globalisation, the findings of this study supported the view that businesses and industries are operating in a time of great change. Because many companies have found that they cannot achieve profit goals in the domestic market, they are being forced to consider moving into the global environment. The statements in this section of the questionnaire were designed to identify the degree of awareness that Saudi and non-Saudi managers have relative to those factors which were influencing these changes.

Thorough examination of these factors required dividing the responses from oil and non-oil companies as they function from different business perspectives. The non-oil companies are required to be more competitive in the marketplace while the oil companies function in a monopolistic environment. The oil companies have the advantage over the non-oil sector because their products are essential for industrialised nations world-wide. However, their competition is within the speciality market which is influenced by supply and demand factors, and world oil prices are usually controlled by oil producing countries, including Saudi Arabia.

The responses supported the findings in the literature that many non-oil companies are being forced to enter the global market because their home market is saturated and companies are having to struggle to maintain what market share they already have in the domestic market. Excess capacity may be now forcing them to look for new markets outside the home country. Furthermore, increased domestic competition was considered to be a highly relevant factor in forcing non-oil companies to seek customers beyond national borders. Home government encouragement and support was also believed to be essential in this globalisation process.

The results of this study indicated that oil companies gave low relevance to saturation of the home market because they do not exclusively sell to this market. Oil companies gave greater relevance to foreign competition as this will have the greatest impact on market share world-wide and therefore will be of concern. Factors such as the single European market, and the need for home government encouragement were also considered to be highly relevant. Because oil companies function in a different competitive environment, it is

agreed that these issues would be of greater importance than those with which the non-oil companies would be concerned.

The world is indeed becoming increasingly inter-dependent (See Chapter 1), and modern Saudi Arabia's role in this new world has been achieved through a series of highly successful five-year development plans (See Chapter 2). The government encourages non-oil exports through non-financial assistance in the form of information about target markets. This gives the Saudi private sector exportable surpluses of manufactured goods and farm products that have obtained access to western markets (Saudi Export Directory, 1993). Abdul Aziz Abdullah Al-Zamil, the Minister of Industry and Electricity points out:

The Saudi industry sector has enjoyed unlimited support from the government of the Custodian of the two holy mosques. The total number of operating firms is in excess of one thousand. Their competitiveness both locally and externally has become a fact of life. Total export revenues in 1991 exceeded SR 3 billion. With few exceptions, the Kingdom has excellent trade relations all over the world. (Saudi Export Directory, 1993: 5)

This indicates that exporting industries have been encouraged to invest in new activities through provision of attractive investment packages, loans, and easy access to foreign technology and know-how. The progress made by those industries is demonstrated by almost all measures of performance (Saudi Export Directory, 1993).

Use of surplus capacity was the second reason for Saudi companies giving increased attention to international business. According to the fourth development plan (See Chapter 4), industries in Saudi Arabia have been established to meet both local and global needs:

Private sector establishments grew by tenfold, from 207 in 1970 to 2200 in 1990. Investment in the new industrial and agricultural activities have generated sizeable exportable surpluses for the first time in the history of the country. Export items now include beverages, foodstuff, metal products, chemical products, building materials, paper and related products and electrical appliances. Of the farm products, milk eggs, dates, wheat, fodders, vegetables and poultry are the most dominant. The Kingdom can not only meet the local demand for fish but has become a major exporter. (Saudi Export Directory, 1993: 16)

This explains why managers in the survey ranked foreign competition as an important factor causing companies to give increased attention to international business. The new realities of business competition, alliances, scope, and interdependence mean that “globalisation is no longer an objective, but a way of life.” (Abbas, 1992: 1) It is, therefore, important that Saudi companies must internationalise their operation as soon as possible if they are to participate successfully in the global marketplace, otherwise they will become dependent on domestic markets in order to survive and their profitability will not be maximised. Woods (1995) indicates that the global marketplace is highly competitive; and failure to take up the challenge of such competition can sound the death knell for a company.

In general, Saudi companies are unaware of international trade agreements such as GATT, the Single European Market and NAFTA. As Table 7.1 suggests, Saudi companies have a limited understanding of the international environment. For companies entering the international arena, this means facing an increasingly global competitive environment (See Chapter 3). Woods (1995) suggests that in recognition of the fact that the gain from GATT will not be spread evenly world-wide, there is a continued expansion of Free Trade Areas. Furthermore, the year 1993 marked the official recognition of the Single European Market and the signing of the North American Free Trade Agreement. Such influences will need to be recognised by all international firms operating during the 1990s. This indicates that Saudi companies are not yet fully aware of what is taking place in the global marketplace.

8.5 WORKING WITH EXPATRIATES

There was a greater tendency for companies to use expatriates in less developed countries due the weak pool of available local management talent. (Scullion, 1991: 255)

A diversity of nationalities could enable local managers to learn about other cultures and provide an international manager real experience of living and working across boundaries. For example, Barham and Oates (1991) suggest that a policy of employing local managers reduces the opportunities for giving managers the experience of working with men and women from different cultures.

As indicated in chapter 3, the global marketplace requires highly qualified managers. Furthermore, some Saudi companies feel that expatriates would have more expertise than locals. The problem of using expatriates was recognised in a doctoral dissertation by Aba-Alkhail:

The basic problem of the present administration in Saudi Arabia is the lack of trained and qualified employees [at] all levels. This is the result of the lack of specialists in administration, who can introduce modern administrative techniques and methods. (Aba-Alkhail, 1988: 174)

However, to solve these problems, Saudi companies have engaged experienced non-Saudi personnel as required, and at the same time they have a programme to achieve Saudiisation in a number of positions by 1995 without sacrificing quality or output. Table 8.6 shows that one hundred and twelve of the respondents were from Saudi Arabia (50.2 percent), while a hundred and eleven were from other countries (49.8 percent).

Table 8.6 **Sample Distribution According to Nationality**

Nationality	Frequency	Percent
Saudi	112	50.2
Non-Saudi	111	49.8
Total	223	100

The results shown in Table 8.6 indicated that the progress toward Saudiisation has not been successful. Saudiisation has been impaired by a lack of human resources and ineffective follow-up. Saudi companies will not achieve full Saudiisation unless they can attract more Saudis, retain them and follow through with planned T&D activities. Al-Dabbagh (1980) indicates that Saudi companies operating in a rapidly changing environment place too much reliance on foreign experts who sometimes lack the necessary skills for understanding and working in Saudi Arabia. He also argues that there is too much reliance on foreigners to perform specific tasks rather than developing Saudi nationals.

An apt description of the differences between the West and Saudi Arabia is embodied in Ross Matheson's statement about developing countries compared with western nations:

A developed or industrialised country has inbuilt economic norms, patterns of life and expectations that are the result of generations and painstaking deliberate development. It contains an accumulation of knowledge which finds expression not only in its institutions and its patterns of thought, but also in its various disciplines. Expectations are based on previous experiences, discoveries are usually the result of the application of current knowledge, and while life contains its peaks and valleys it also contains its stability and security. In a less developed country it can be the very absence of these things that makes growth difficult. There is less recognition of ability, less thought given to the future, little attention to potential and in many cases little interest in changes. (Matheson, 1978: intro. p. xv-xvi)

Saudi Arabia differs from other developing countries in that it is interested in change and progress under its Islamic traditions and laws which do not oppose the modern industrial requirements of delegation, responsibility, and the establishment of management role relationships. This change needs to come about by means of strengthening managerial staff, preparing them for a borderless world to assume responsibility effectively and efficiently. As Matheson says, “. . . changes themselves can become reality only if the wishes are actioned through people who are skilled in management or administration. In the longer term, it will be the quality of such people which will, to a large extent, determine the lasting quality of the changes.” (Matheson, 1978: 10)

The GCC countries in general, and Saudi Arabia in particular, have depended on expatriate managers (MEIRC, 1989). A study by Muna (1989) reports that the GCC countries share a certain dependence on expatriate manpower. Thus, the use of large numbers of expatriates has created a situation where Saudi managers have to be competent in managing multicultural workforces.

Senior Saudi managers seem to recognise that the existence of non-Saudis in some jobs will benefit both locals and expatriates, but this reduces the opportunities for local managers to acquire international experience. For example, younger managers need the opportunity to experience new situations, develop new skills or run an operation away from headquarters (Brewster, 1988; see Edstrom and Galbraith, 1977).

3.6 SUMMARY

Success in the global marketplace can only be achieved with strategic planning that incorporates T&D programmes. However, selection of employees can also have a great impact on success as not all employees have the personality, desire, and capability to adapt

to a foreign environment. For this reason, selecting the right person is vital. All the factors discussed in this section play an important role as management needs to find the solutions before taking steps to enter the global marketplace.

The key to doing business successfully in the global marketplace is in the setting of goals and objectives and developing strategies, both short and long range, that will guide management through the steps toward a successful transition from a domestic orientation to a globally oriented one. The road to success will be assured if sufficient planning is done regarding human resources and developing their skills. While technical skills may be required, the skill most needed for working in this environment is an understanding of the cultural environment into which the company plans to sell, and a manager with highly trained marketing skills that will know how to sell the products or services.

The results of this study highlight some significant discoveries that an organisation about to enter the global marketplace must take into consideration if it is to become successful in this highly competitive environment. An organisation cannot afford the luxury of treating HRM and HRD as two separate entities and these two must be integrated as one single function in providing selected international managers with the necessary T&D programmes to equip them with the prerequisite skills and abilities to function in a multicultural environment. While older, more experienced managers in this survey recognise that HRM policies are crucial to the internationalisation process, an organisation about to enter the global marketplace must also instil the importance of HRM in their younger managers, for it is they who will become the future shapers of policies and objectives within an organisation. Furthermore, evidence from this study indicates that MD is not being given the serious

consideration it needs to develop international managers of the future. Any organisation that plans to enter the global environment must give top management commitment to MD and provide the necessary funds and time to ensure that managers are trained to meet the demands of international assignments.

In addition, a number of the findings of the present research also contradict, to some extent, the literature reviewed in the earlier chapters, and in particular the work of Barham and Devine, on whom the majority of the hypotheses were based. Barham and Devine identified certain characteristics, skills, abilities and competencies that an international manager needs to function effectively in the global environment, as well as identifying certain important constraints that prevent organisations from giving managers international experience.

While this study found some similarities with the Barham and Devine study, there are major differences that indicate that Barham and Devine's work may now be out of date. Of the several differences between the findings of these two studies, the most important and relevant for an international manager as identified by this study relate to language skills and awareness of one's own cultural background. The importance of language skills to an international manager cannot be denied and the respondents of this study considered these to be of paramount importance as a managerial competency, more so than strategic awareness or ability to work in international teams.

Another major difference related to a "manager's awareness of his/her own cultural background". While the literature, as well as Barham and Devine, recognises the ability to

be sensitive to different cultures as an important competency, little attention appears to be given to the cultural background of the expatriate manager and how this affects a manager in his/her interaction with other cultures. The majority of the respondents of this study, in particular non-Saudi managers, stated that they were very self-conscious of their own cultural background. This awareness was apparent across a number of variables such as age, type of industry and company as well as experience.

This study also found that, contrary to general belief in the literature, younger managers were less willing than their older counterparts to accept international assignments, with evidence to support this across a number of variables. A major discovery related to the importance of a proven expatriate track record as identified by the respondents of this study. This suggests that organisations looking to place managers in international positions should select those managers that already have experience of working overseas. Other findings that seem to stand separate from the literature relate to the question of nationality as a selection criteria and the relative important of spouse/partner reluctance to give up their own career.

Overall, the findings of this study have great relevance to an organisation undergoing the globalisation process and while some of the results contradict the views currently held in the literature, these findings cannot be ignored.

Chapter 9, "The Revising Model," is a continuation of the analysis of this research. The findings of the research indicated that due to the weakness of qualifications in many organisations, managers giving consideration to entering the global marketplace

were not sufficiently informed as to what steps need to be taken to do so. Although a model was first presented in Chapter 3, following an analysis of the data, the Barham and Devine study, and the review of literature, it was determined that a more simplified and practical model was necessary. Both models are discussed in the following chapter so that a comparison can be made of the two. The objective of the revised model is to include additional explanation of HRM and HRD and the important role that each must play in the organisation.

CHAPTER 9

REVISING THE MODEL

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CHAPTER 9 REVISING THE MODEL

9.1 INTRODUCTION

The results of this study support the view that business and industry today need to develop a new theory of business that includes entering the global marketplace. However, before such a decision can be made, top managers need to look at their organisation, their products, and personnel to determine whether such action is feasible. A model can serve as an excellent tool to not only provide a pictorial projection of that which is involved before making a decision, but also how the different aspects of the organisation must work together if such a plan is to be implemented.

A model, in a general sense, assists in understanding the real world and those factors which could have a major impact on any decision made at the top management level. Models are useful in gaining insight into the value of various factors and issues involved before a decision is made. When managers understand all the issues, they are in a better position to make the decision that offers the least risk and has the greatest potential for success. At the same time, a model should be viewed only as a guide, and each element must be analysed in greater depth before a major decision is made. The model builder must decide what factors are relevant to his/her study, determine the relations among them, and trace out their interactions and implications. The activity more or less traces the process a person goes through when thinking about a problem. The model builder merely

does these things explicitly and where possible, in a logical sequence, and any assumptions made and their relationship to one another are clear for all to see (Quade, 1982).

The original model (Figure 9.1) was based on a review of the existing literature and the shortcomings that were believed to be inherent in the lack of appropriate research in the area of HRM and HRD as separate but nonetheless integrated functions. The data collected from this survey indicated that the original model needs to be revised in the light of the new findings. In addition, a number of hypotheses were not fully supported by the results (See Chapter 8) leading to the conclusion that the original model should be modified. Therefore, it is necessary to revise the model to make it more inclusive and appropriate so that it could serve as an effective guide for top management to use in making the decisions to enter the global marketplace and then take the necessary steps to design an organisation that will be supportive of such a venture.

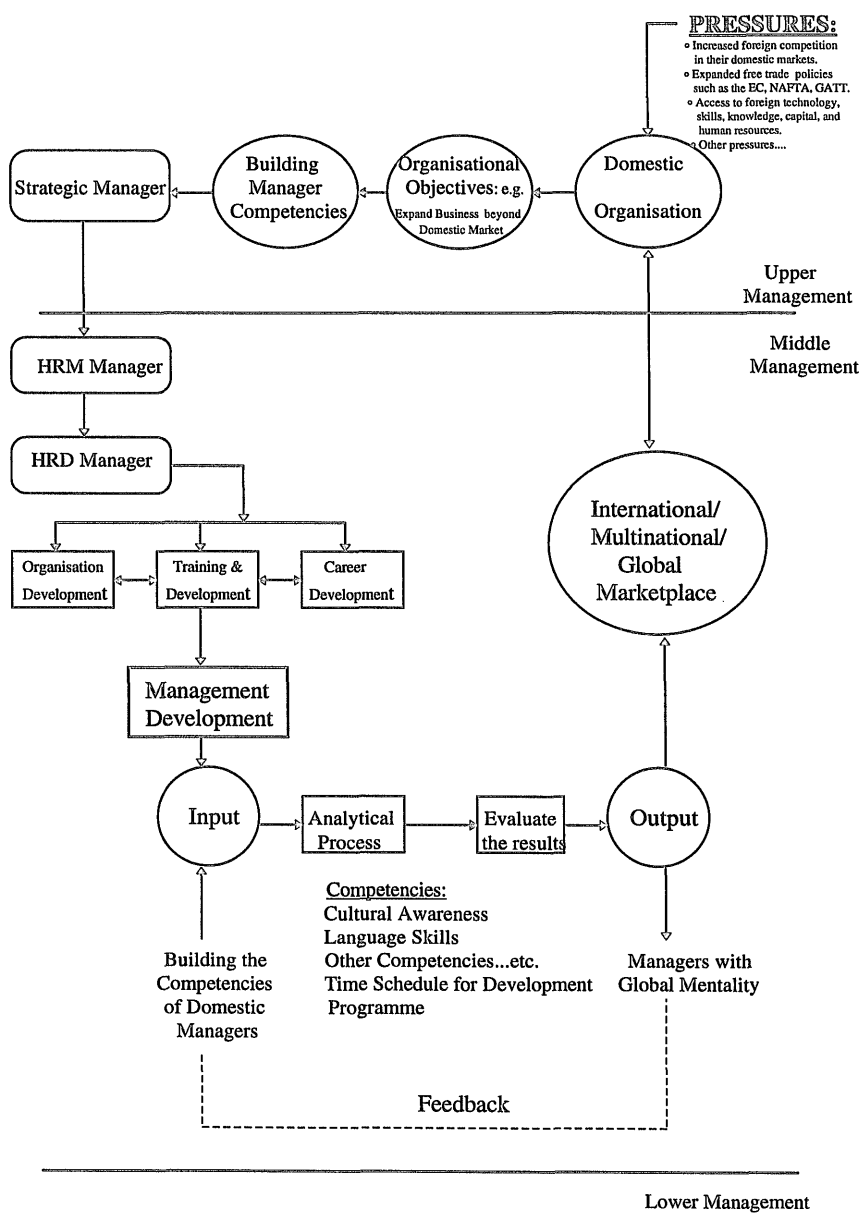


Figure 9.1 A Model for Developing Global Managers

The model was initially developed so that companies in Saudi Arabia can use it to provide their managers with the necessary T&D needed for them to operate effectively in a global environment. It was also anticipated that such a model can be utilised by managers of any company thinking about entering the global marketplace. The main objective of this chapter is to examine and explain in greater detail the reasons why the original model needs to be modified as a result of the data collected by this survey; data which is not supportive of the original model which was based on the existing literature on HRM/HRD.

9.2 REVISING THE MODEL

The findings reported in Chapter 7 indicated that Saudi managers were aware of the need to enter the global marketplace (Ohmae, 1990; Czinkota, 1992; Tuller, 1991). This awareness was based on saturation of the home market, increased competition and the need to market excess capacity (Moran and Stripp, 1991; Al-Qahtany, 1994). However, only a small percentage of managers reported that they had any significant knowledge of the global market. As an example, managers of Saudi companies tended to ignore the importance of foreign trade agreements, in particular the Single European Market. This indicated they were not aware of how the market was affecting their business or the implications for the future.

The theoretical foundations of the original model (See Chapter 3) were based on the current literature regarding HRM and HRD as two separate functions (Roback, 1989), while MD is considered to be a function of T&D (Megginson et al., 1993). Accordingly, eight hypotheses were formulated to examine if the conceptual model has a solid base and whether it can be

used as a practical guide for developing global managers. However, the empirical data collected by this research did not fully support the original model following the testing of the various hypotheses. The mismatch between the empirical material and the theoretical basis of the original model indicated that the theoretical model was inadequate and not fully developed.

Unsupported hypotheses lead to the conclusion that the original model had to be modified to accommodate the results of the questionnaires. Furthermore, the new data identified the need for a simpler, user friendly theoretical model, that would more accurately represent the links between the external and internal environments leading to appropriate managerial strategies, HRM/HRD and the organisation's globalisation activities. A more detailed analysis of the justifications for revising the original conceptual model is given below.

The decision to revise the model was based on the belief that Saudi managers would derive greater benefit from a more detailed model when making the decision to enter the global marketplace. Once the decision was made, they would have guidance in developing an organisation that could lead them to the opportunity to acquire a competitive advantage in the market. The rationale for the decision, in part, was that younger managers and those over 50, had little experience of HRM. The specific reasons for this lack of experience were not determined from the data collected. However, the data also revealed that younger managers need to have a better understanding of HRM as they work to achieve their career goals. Mature managers, particularly those in positions where major decisions are made, also need to

have a better understanding of the way external factors influence internal factors when consideration is being given to entering the global marketplace.

Chapter 8 supported this view when it was discovered that those with higher education levels often failed to see the value of additional training. Those with secondary education levels perceived a greater need for training than their more educated counterparts. This was perhaps because they had not received formal training but from experience were aware of the need for training programmes if the company was to consider expansion of their operations. This was further supported by the fact that the Sixth Development Plan (1995 - 2000) emphasised the importance of training Saudi nationals, to not only reduce the need for expatriates but to also assist companies in the private sector to grow and expand. To achieve this goal, managers need to recognise the importance of MD in their organisations. (See Chapter 8).

In Chapter 7, the section on "Gaining International Experience," the respondents indicated that managers in Saudi companies had relatively little experience in the foreign marketplace. However, a high percentage of respondents indicated that they intended to increase the proportion of managers which means that they will be training staff for assignments to other countries. It follows then that it is important for managers to have a solid foundation in HRM and HRD. Top management needs to set policies which govern how personnel activities are developed and implemented in ways that make them mutually reinforcing (Beer, 1985). In other words, when planning to enter the global marketplace, the development of human resources should be given the highest priority. This is supported by the fact that HRM/HRD

has been increasingly recognised as a major determinant of success or failure in international business (Dowling et al., 1994; Sherman and Bohlander, 1992).

The original model was revised for the following reasons. Firstly, Table 6.8 indicated that although Saudi managers had a higher mean score than their non-Saudi counterparts regarding item B22 (that T&D is a sub-system of HRM), both groups had high mean scores (Saudis 4.3611 and non-Saudi 4.0648) indicating that both groups supported the above statement. This finding demonstrates that, as far as T&D and HRM is concerned, there is no significant difference between Saudi and non-Saudi managers and their respective approach to T&D. This is an indication of the globalisation of Saudi managers, that is to say, Saudi companies are no longer dependent on expatriates to the extent they have been in the past. Furthermore, 86.5 percent of both groups (See Table 6.9) agreed that the human resource manager should be the person who is responsible for the coordination of company T&D. Megginson et al. (1993), also argue that responsibility for T&D lies formally within the HRM department. This study argues that HRD is an integrated part of HRM, and since T&D is seen as a part of HRD, it follows that HRD and HRM are inseparable, as the data indicates. This is reflected in the revised model by the feedback arrows between HRM and HRD.

Secondly, chapter 3 defined MD as a planned and systematic organisational activity which has, as its long-term objectives, the development of future and current managers. However, the results of this study indicated that the majority of respondents believed that

their organisations did not appear to have any clearly defined development philosophy or approach. As evidence, the sample did not support Hypothesis 4 which stated that MD is central to the improvement of managerial skills and effectiveness (See Chapter 8). As a consequence, MD as a separate function needed to be dropped from the original model and incorporated with HRD activities in the revised model.

Thirdly, the original model included external pressures that might cause an organisation to expand its business beyond the domestic market (this may be the main objective of the organisation), followed by the idea of developing managers to work successfully in a multicultural environment. Such processes can appear to be complex with multiple ramifications, therefore, in terms of making a useful, simple and understandable model for management, the complexity of this model has to be reduced. The outcome of the above argument is that the processes of the revised model includes two elements from the original model, the objectives of the organisation (for example, expand business beyond the domestic market) and the strategy of HRM (See Figure 9.2). The results did not justify the position of the strategic manager in the organisation as illustrated in the original model. However, the data collected shows that HR strategy is seen by the majority of respondents as being an essential element in the strategic development of an organisation (See Table 6.5). Furthermore, the majority of the respondents indicated that, in their opinion, human resource strategies are central to the process of internationalisation (See Table 6.15), which suggests that the strategic manager in the original model has no role to play in the revised model.

The original model directed pressures at the domestic organisation (See Figure 9.1), but in the revised model, external factors not only effect the organisation as a whole, but act as a stimulant to those internal factors that influence top management in their decisions. The reason for this was that too many external factors taken from the literature were being considered, making the model more complex than it needed to be. In addition, internal factors were not considered to be appropriate when the original model was constructed, but it became apparent that internal pressures and their implications could not be ignored and were therefore added to the revised model (See Section 9.2.2, below).

The close relationship between HRM and HRD was given further weight by the findings of this survey. For example, 86.5 percent of respondents strongly agreed or agreed with the statement that the HR manager should be responsible for the co-ordination of company T&D programmes. In addition, when asked if the HRD function was part of HRM, there was a consensus of opinion among respondents of all ages that this certainly was the case (See Table 6.4). Furthermore, 84.7 percent of all respondents strongly agreed/agreed that HRD should act as a trigger for wider HRM policies and activities (See Table 6.20).

The original model showed that HRD was a consequence of HRM policies and practices and appeared to be a separate function on its own. The results of this survey show that the majority of respondents believe that HRM and HRD are closely linked, therefore the model was revised accordingly to reflect this finding. The revised model (Figure 9.2)

shows that HRM policies and practices not only affect the HRD function, but the HRD function also has implications for HRM as a management principle and that one cannot interact without the other. This is the main justification for treating HRM and HRD as an integrated function instead of two separate functions.

The concept of systems theory as contained in the original model has not been entirely abandoned when the model was revised. Rather, it has been adapted to form a synthesis between open and closed systems, using continuous “inverted feedback” loops. The revised model cannot be regarded as closed, that is to say, independent of its environment; it controls its own internal relationships or determines its own fate, since external factors still influence internal factors which lead management to formulate organisational objectives and strategies (Barnard, 1938). Nor can the revised model be seen as an open system in the classical sense. While it still reacts to external factors, the majority of the interaction is within the organisation itself, with internal factors influencing top management decisions, which in turn determines the HRM strategy leading to HRD through its three action stages of planning, training and development (See Figure 9.3). This in turn determines how HRD is implemented leading to change strategies and communication. The whole process within the model then goes through continual feedback loops which provide the necessary information and intelligence need to adapt or other objectives and strategies as necessary to meet ever changing circumstances in HRM, strategies HRD, implementation and so on.

The original model (See Figure 9.1) has been revised as follows:

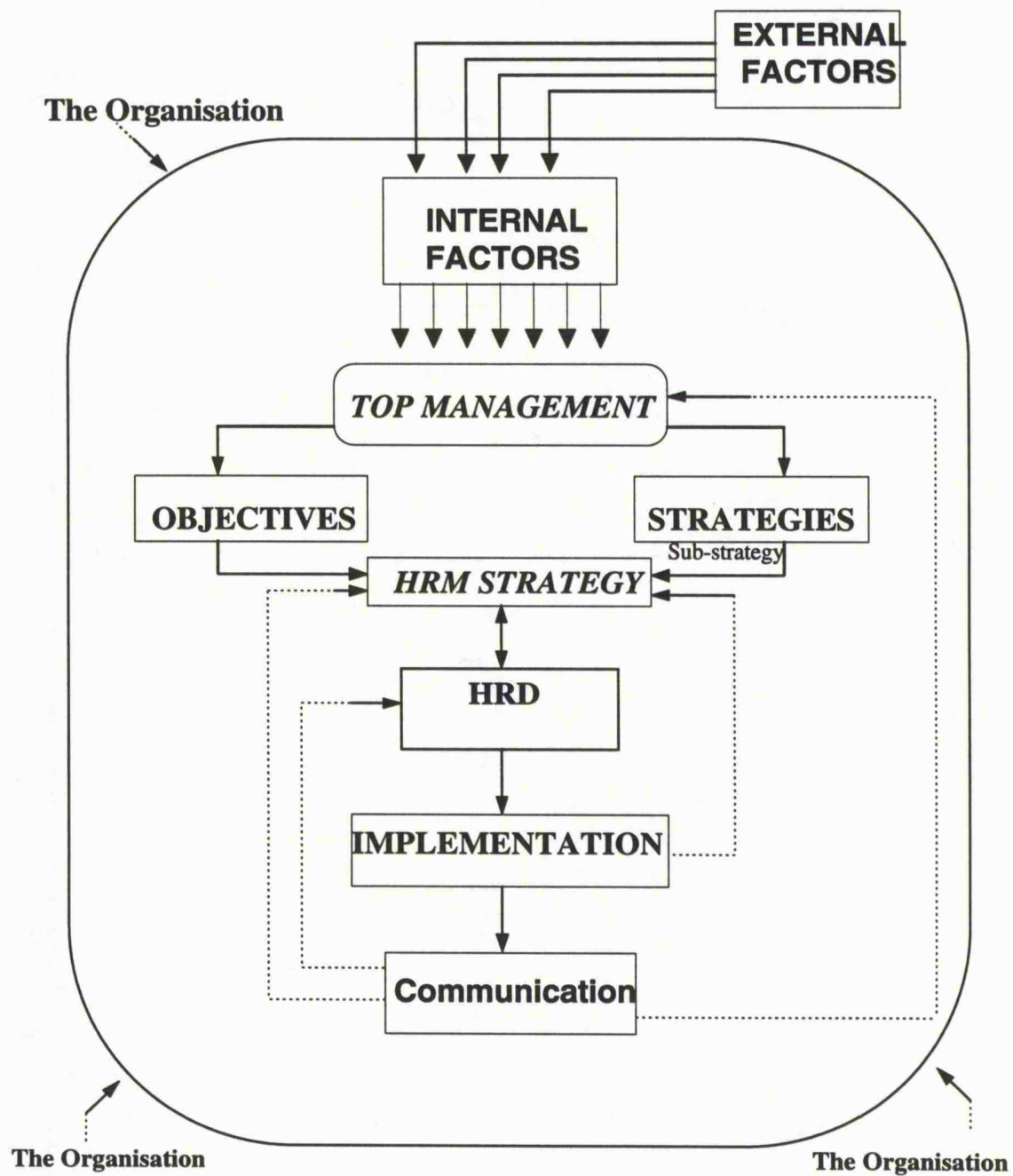


Figure: 9.2 A Model for Assisting Management in Making Decision for Entering the Global Marketplace

9.2.1 EXTERNAL FACTORS

External forces include competition, the market and technology. These forces are recognised as those over which the company has minimal control, but which exert a tremendous influence over management's need to think from a global perspective. They exist whether or not management makes the decision to meet the challenge. Although the company has little control over them, the way the management reacts to these forces will affect the way in which a company does business and influences opportunities for growth and expansion.

9.2.2 INTERNAL FACTORS

Perhaps the strongest force is the need for a company to change its sense of direction, to broaden its objectives, and view its potential market as the world rather than limited to customers within national borders. Internal forces are derived from the recognition that if the company is to grow and expand, it cannot continue to conduct business as in the past.

To reduce the model's complexity it was decided to limit the pressures to competition, the markets, and technology. While other factors are obviously involved, it is believed that these are strongest and have the greatest influence on managers when making decisions to enter the global marketplace. However, for these forces to have any impact on the company itself, internal forces must put pressure on top management to identify the ways

in which strategies can be developed that will enable the company to compete in the global marketplace.

Management has control over internal factors. When the external factors limit growth opportunities due to saturation of the marketplace, there is a need to look for new markets. This force increases as the company finds itself in a mature market with declining sales, and competition gaining a competitive edge in the marketplace. If the company is to survive, changes have to be made. The changes selected must be those that will direct growth and expansion into areas of profitability.

9.2.3 TOP MANAGEMENT

As in the previous model, it is recognised that top management are responsible for directing the growth of the company so that it achieves sufficient profits to give shareholders a reasonable return on their investment. The decision to enter the global marketplace has to be viewed as a major decision because it involves the entire company and its resources and requires that sufficient resources are made available to undertake a new venture. The use of these resources should not be allowed to have a negative impact on current operations.

9.2.4 OBJECTIVES

Entering the global marketplace is viewed as a risky undertaking. Specific objectives are necessary for success as they provide the “road-map” that will reach a certain destination.

It is from such objectives that strategies, planning, and implementation are derived. All which is undertaken once the objectives are established is for the purpose of achieving the objectives. Objectives serve as quantifiable targets and identify factors such as expected sales and profits which are based on meaningful forecasts that can justify the decision to enter into the global marketplace.

9.2.5 STRATEGIES

To clarify the objectives, appropriate strategies must be designed. Suggested strategies include:

- Short and long range planning
- Establishment of organisation structure to support the venture
- Identification of areas of responsibility and those to whom it is delegated.
- The allocation of resources, material and human
- T&D for managers
- The creation of a time line for guidance as to when and how that which is needed to be done will be done over what period exactly (Briscoe, 1995).

9.2.6 HRD

HRD should act as a trigger for wider HRM policies and activities. 84.7 percent of the sample agreed with this statement. This supports the idea of integrating HRM and HRD as one unit. There is a critical point in the revised model (See Figure 9.2) since

HRM/HRD activities form a crucial element of the overall global strategies of the company. HRM must help companies to enter the global marketplace, which can be done in a number of ways:

- Helping the company to prepare and develop truly world-quality and globally-aware managers.
- Understanding global business issues like foreign markets and exchange rates, so that they can “talk international business” and achieve the global business objective and implement the strategies.
- Developing HRD programmes which include international assignments and cultural training.

Howe and Tseng (1990) point out that international HRD specialists play important and challenging roles. They face challenges being responsible for training as well as development activities (See Chapter 2). The reasons, as identified in Chapter 2, are the many factors involved in doing business in the global environment. These include: training for working and marketing in different cultural environments, understanding the different cultures including its history, religion, customs and traditions, economy, political structure, language, and so on. Managers have to realise that conducting business in the global environment cannot be done in exactly the same way that it is done in one’s home country. The best of managers need to be trained to meet the demands of a new assignment (Al-Qahtany and Jones, 1995).

Armstrong (1993: 152) states that HRD is about enhancing and broadening employee skills at all levels by training and helping people to grow within the organisation, thereby enabling them to make better use of their skills (See Chapter 3). Increasing the skills of managers as well as subordinates has a dual purpose. First, it enables subordinates to achieve career goals and make greater contributions to the organisation in fulfilling its goals. Second, it increases the abilities of managers so they can more effectively direct the company on its path for growth and expansion.

Noel and Dennehy (1991) reported that HRD must meet the demands of the changing environment in which business and industry function today. At the same time, HRD must function in a proactive and not a reactive environment, meaning that management should always be one step ahead of that which is taking place in the environment, and understand how certain events and occurrences will affect the company, its operations, profitability and in particular its sales (See Chapter 3).

The HRD department should be at the heart of the organisation's impetus for growth and expansion. The reason is that there are too many obstacles in the way of success unless HRD programmes are well designed, updated, and meet the needs of those working in a foreign environment or planning to do so. The globalisation of the marketplace and new technology demand that even the most profitable company must function for the future not the past. As stated by Scullion (1992: 57), effective management of HRD should be a major goal of organisations, domestic as well as international and global (See Chapter 3).

As indicated in the revised model, HRD, as a function, must be integrated into top management strategies and objectives. It cannot function in isolation as it is a part of the organisation that supports all other parts. Therefore must be involved with goal setting and future planning for both the short and long term. Viewing HRD from the perspective of its importance, the following model (Figure 9.3) identifies the various aspects that should be integrated into the department's activities.

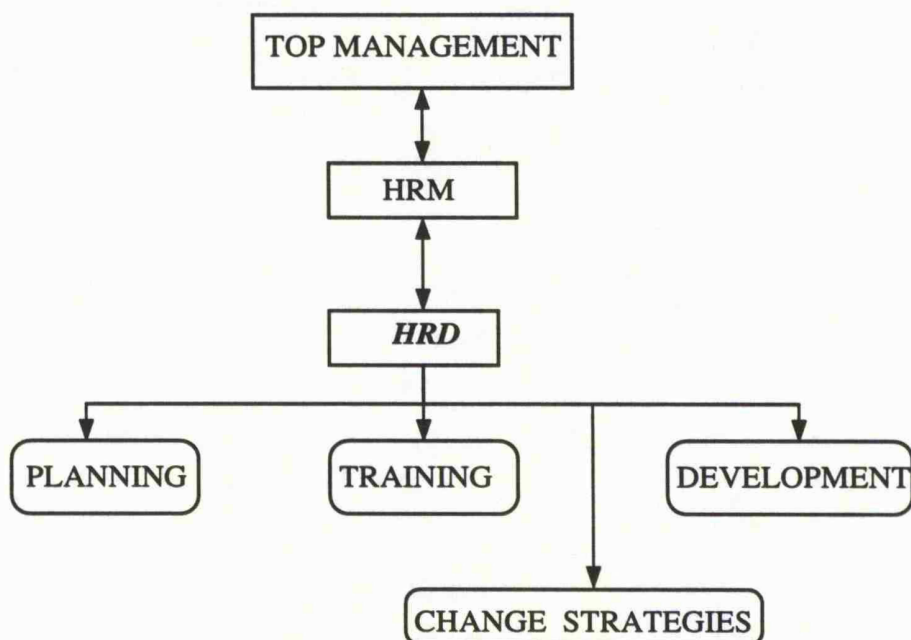


Figure 9.3 A Model Describing the Integrated structure of the HRD Department

1. PLANNING

Planning is based on the mission, goals and objectives set by top management. Once the organisation goals are set for both short and long range objectives the HRD manager must begin to design programmes that will ensure that these will be met. HRD works closely

with HRM in identifying needed skills, the number of employees needing to have training programmes, the recruiting and hiring of employees to fill vacant positions, and identify those that can be promoted. Specifically, linking HRM and HRD means that training plans will become more relevant to organisational objectives (The sample strongly agreed with this proposition since the approval rate was 90.8 percent). The overall strategy is to insure that employees are available and trained to meet the needs of the organisation. The majority of the sample (93.6 percent) agreed that organisations globalising their business need managers with special knowledge, skills, and attitudes. Therefore, HRD is responsible for designing programmes that will produce the manpower with skills to step into positions as they arise. Examples include:

- Identifying skills that are needed in order to achieve organisation goals.
- Designing training programmes so that managers and subordinates will have the skills needed when they are needed.
- Designing retraining programmes that become necessary with development organisation technology, products, etc.
- Monitoring changes taking place in the external environment that affect the organisation, managers needing to be informed or trained to meet the new challenges.
- If plans include entering the global marketplace, consideration as to type of programmes needed, and MD, providing information to employees assigned to a foreign environment, language courses, and the like.

2. TRAINING

Training programmes are conducted as a result of the planning process. These can include, but are not limited to: specialised training programmes to support the goals agreed, training managers to operate in a multicultural environment, training managers to work in multinational teams, and short-term placements abroad, among others. The global marketplace requires specialised training in working and marketing in a foreign environment if employees are to meet the goals of the organisation as it expands into this environment. A total of 84.5 percent of the managers in the sample supported the above statement, indicating that the international environment demands some different managerial skills than does the domestic market, giving credence to the need for specialised training of managers being considered for international assignments.

3. DEVELOPMENT

The third stage of the HRD strategy is development. This should be primarily aimed at those managers being considered for overseas postings (but can be applied to any manager in any organisation), to improve their existing skills, increase their knowledge and attitudes so that they can readily adapt to the global environment. More than half (67.6 percent) of the managers in the sample indicated that the HRD manager is responsible for providing the international manager with skills and competences. Programmes can also include management training for assistant managers and those being promoted into

management positions. Livy (1988) stated that MD constitutes a series of processes, activities, and events within the organisation designed to improve the performance of both the organisation as a whole and the individuals within it (See Chapter 3).

MD is important for several reasons. First, management skills can become outdated and obsolete in the light of changed thinking and attitudes concerning management practices. Secondly, a trained manager is better prepared to deal with any personnel problems that may arise within an organisation and arrive at solutions that may benefit the individual concerned, as well as the organisation as a whole. Thirdly, management T&D help to maintain a strong organisation culture with everyone working towards the same goals supported by the same standards and values.

4. CHANGE STRATEGIES

The most important function of HRD is working with management in the design of changes required. It is in this area that organisation development (OD) can be effectively used as a strategy for change. Managers in Saudi companies strongly feel that effective HRD will make the organisation more competitive since the approval rate was 95 percent. The strategy, working with management, can assist to identify the internal programmes needed for further development. Examples include: Studies to determine problems and their origins and causes, team development, training and/or retraining programmes, and

programmes for improving interpersonal relationships and communication within the organisation.

The HRD programmes to be implemented depend on the goals of the company, and may differ depending on the size and activities of the organisation. This model reflects the importance of HRD and its role in the organisation. If the company is to achieve desired growth, HRD certainly needs to play a major role.

9.2.7 ANALYSIS

Top managers are responsible for planning and making all major decisions. Once made, they affect the entire organisation. If, for example, top management makes the decision to enter the global marketplace, the first step is changing the organisation structure to support such a decision and preparing managers to work in this environment. Traditionally, implementing change in the organisation is one of the greatest challenges for management as personnel at all levels resist change unless it is effectively managed. Change is less feared when organisation development is involved, as management and subordinates participate in the changes to be made and in the programmes for development. Implementing organisation development broadens the scope of HRD as training programmes are designed to meet the needs of the organisation as a result of the decision to enter the global market.

Rhinesmith (1993) stated that almost every study of global organisations has concluded that without an integrated and forceful HRD function, the talent and mindsets necessary to manage these new complex organisational forms will not be developed and a venture into the global marketplace will fail (Rhinesmith, 1993: 168). For this reason, HRD serves better as an independent department that can concentrate on supporting the goals and objectives of the planned change, while HRM should be responsible for the day to day personnel activities. However, HRM and HRD need to work closely together so the needed personnel can be recruited to support the global operations, and those most suitably qualified can be selected for training to prepare for a foreign assignment. Therefore, it is essential for a coherent HRM strategy to include effective HRD policies that can, through a feedback loop, contribute to the HRM strategy in turn and make implementation of the HRM strategy and HRD a reality

9.2.8 IMPLEMENTATION

Implementation is the process that puts everything into action to achieve the desired objectives. Based on decisions made, objectives established, and strategies designed, implementation follows to the agreed plan. Effective planning, both short and long range, can expedite the operation and result in greater efficiency of operations. With increased competition in the global marketplace, it is vital that once the decision has been made and plans designed as a road map, that implementation begin. A time line can assist in guiding the steps taken toward achieving the objectives within the shortest time possible.

Implementation must closely follow the organisational objectives and corporate strategies agreed by top management. It is the role of the HRM and HRD functions to ensure that implementation is effected in such a way as to meet organisational objectives.

9.2.9 COMMUNICATION

As indicated above, communication is vital to the success of the operation. Plans need to include a networking system, the establishment of appropriate communication channels, lines of reporting the frequency of such reporting, and a forum for the exchange of information. The goal is to keep management in touch with the operation so that they know what is going on, how things are progressing, and to establish a communication system in which the global manager has ready access to top management so that when decisions need to be made there will be no delay in the process.

Modern technology has significantly enhanced people's geographical ability to communicate. Computers, faxes, telephones and video conferencing facilities bring different parts of a company and its personnel together in seconds. The implementation of technology in its many forms should be part of the globalisation process so that top management can contact managers, regardless of where they are located, and managers in foreign offices can have immediate access to management and company resources. The communication process can also be used to inform other employees of the organisation of what is happening within the company. Company values and beliefs should be communicated to all employees, and not just managers, so that they know where the

company is, where it is going and how all employees can work together to achieve corporate objectives and acquire a shared culture.

9.2.10 ORGANISATION

Finally, the organisation will be affected by all the changes that will be taking place upon entering the global marketplace. Even though management plans to conduct business as usual in the domestic market, the ways of doing business will change in a way which will affect the entire organisation. The organisation must be viewed as a total system with every aspect of it supporting the objectives established for expanding into new markets. In other words, the organisation itself and the impact of expansion must be considered in the overall planning, setting of objectives, and implementation of strategies.

9.3 SUMMARY

Top managers are responsible for making the major decisions for the organisation. If the decision is made to enter the global marketplace, they are also responsible for ensuring that changes are made in the organisation to support such a venture. A model was designed at the beginning of the research to assist managers in identifying the elements of an organisation that would apply if a decision was made to enter the global marketplace, and to support such a venture. The model included various external factors that have a tremendous influence on business and industry today. The goal was to identify the

variables involved in a global operation and to assist management in making the decision as to whether or not they should enter the global market.

Following an analysis of the responses to the questionnaire used for this study, the Barham and Devine's study, and the literature, it was concluded that clarification was necessary if the model was to assist managers in making the decision to enter the global marketplace, and to serve as a guide for implementing the decision. The long term objective was to provide the tools that would help managers be successful in a foreign environment, and at the same time, have a home organisation that would give them the necessary support. The focus of the revised model (Figure 9.2) is on the role of HRD in the organisation and the importance of its position relative to preparing men and women for a foreign assignment. The purpose was to provide a clearer picture of HRD and understanding of its different functions, such as planning, T&D. As a result, it is believed that the revised model will serve as a more effective tool for managers at all levels when implementing a plan to enter the global marketplace, or as a general tool for MD.

Chapter 10, "Conclusion and Future Research," briefly reviews the contents of this research report, the review of literature, analysis of the data collected, and its interpretation. Each chapter and hypothesis is summarised. The main outcomes of the study are discussed and a comparison is made between the findings of this study and the literature. Limitations of the research are noted, and recommendations are made for future research.

CHAPTER 10

CONCLUSION AND FUTURE RESEARCH

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CHAPTER 10 CONCLUSION AND FUTURE RESEARCH

10.1 OVERVIEW OF THE RESEARCH

The findings of this research are useful in that the results of the study can be applied in the field to assist management in Saudi companies, large and small, to address their weaknesses and develop new strengths enabling effective competition in the global marketplace. A less direct outcome achieved through the research is the way it will force management to consider the strengths and weaknesses of their organisation, with a view to entering the global marketplace.

Chapter 1, "Aims and Organisation of the Study," began with an introduction to the changing environment in which business and industries are having to strive to be profitable today. The characteristic developments now having immense impact is what has been termed "globalisation of the marketplace". The term has a broad definition but basically means the world has become one marketplace with national borders breaking down and an increasing movement toward free trade (Doyle, 1990: 42). It has also been influenced by the economic development for everyone, including those countries that are referred to as third world nations. Industrialisation is in any case world-wide, with all nations exploiting their resources for economic growth and modernisation. The result has been a tremendous increase in competition, with many companies selling in the same extended marketplace, products and services that are the same or very similar. When the domestic market

becomes saturated, companies are forced to look elsewhere for new markets which usually means going outside their national borders and venturing into new geographic areas that appear to have the greatest potential for profits.

Taking the above into account the objectives of this study were fourfold. First, to identify the qualifications required of managers to function in the global market. Second, to establish competencies necessary to be successful with emphasis on T&D of managerial abilities to support companies taking the decision to enter the global market. Third, to review the changes taking place in the marketplace to help prepare Saudi managers to meet particular nature of the demands of this environment. The fourth and final objectives was to provide information to Saudi managers considering entering the global market and to assist them to set objectives, develop strategies, and plan for T&D for themselves and their fellow managers to prepare for entrance into this market.

The above objectives were formed following a review of the literature which indicated that managers operating in an international context need to be culturally sensitive, capable of leading and managing a culturally diverse workforce and who have a strategic awareness of business issues in a global environment (Ondrack, 1985; Mahoney, 1990; Welch, 1990; Scullion, 1992). The identification of managers with such skills and abilities is a problem faced by HRM today (Bartlett and Ghoshal, 1989; Torrington and Holden, 1992). Where managers with these competencies cannot be found, then it is the function of HRM/HRD to

ensure that suitable T&D and MD programmes are developed to equip managers with these skills and abilities (Garavan, 1991; Barham and Devine, 1991).

Chapter 2, "The Global Business Environment: An Overview," reviewed the forces in the external environment which are having an impact on business and industry world wide. In general, the literature supports the view that today's managers face a complex and rapidly changing marketplace. With the creation of different trade agreements, increased competition, and improved communication technology, businesses that plan to grow and expand, and make a profit, are being forced into this global marketplace. These forces have also, in many ways, made marketing in the global marketplace easier and more attractive. Research studies conclude that every organisation will have to exploit its resources better to survive in the new environment. Exploitation here would include the acquisition of knowledge of the marketplace, and training programmes that would prepare human resources for the new environment. Marketing in the global environment is an opportunity available to all business and industry. However, to take advantage of the opportunity, managers must be well prepared to undertake the challenge. What is an opportunity when given adequate preparation is a threat with inadequate preparation.

Chapter 3, "Globalisation and HRD," reviewed the importance of HRM and development in preparation for managers to enter the global marketplace. HRM requires an investment in human resources, providing employees with the skills they need if ventures into foreign markets are to be successful. Literature published on the subject emphasises the

importance of organisations having an human resource department with specialists to provide the needed guidance for management planning to expand into the global market. HRD is defined as programmes designed to educate those being selected and assigned to a foreign environment so that they will be prepared to deal with the challenge of working in this environment. HRD programmes view human resources as an asset that, with investment in training to enhance skills, will bring about a high rate of return to the benefit of the organisation. The growing interest in HRD is evidence of the level of priority it should be given by management considering entering the global marketplace.

The training needed by managers assigned to foreign environments differs from other skills. The focus of such training is on instructing the manager as to how to conduct business in an environment that may differ significantly from home. Training should include information about the country, its culture, language, economics, political system, and the consumer need for the products or services being offered. The quantity and quality of training can potentially make the difference between success and failure in a foreign environment.

Chapter 4, "Saudi Arabian Economy, Business Environment, and Management," presented a brief review of the economic growth of the country and its industrial development. To lessen dependence on the Kingdom's primary resource, oil, the government has encouraged the development of the private sector. As result, the Kingdom has experienced tremendous growth in business and industry. With the development of industrial cities, the government of Saudi Arabia has demonstrated a commitment to the private sector not only for the

material benefit to the citizens, but also to lessen the insecurity of over dependence on imports. Today, Saudis can purchase many products actually made in the Kingdom. Many of the companies making these products have grown rapidly and have thus begun to explore the potential of the global marketplace. The growth rate of exports illustrates this, having steadily increased since 1990. This indicates that many companies are ready to explore a larger market if they had the tools available to assist them to do so.

Chapter 5, "Methodology and Procedures," identifies the design of the research and how it was conducted. A questionnaire was prepared in English and Arabic and distributed to 223 general managers or their assistants currently working in the Kingdom of Saudi Arabia. The questionnaires were designed to test eight hypotheses relating to HRM and HRD. The objective being to identify the strengths and weaknesses of managers with regard to their understanding of what is necessary preparation when giving consideration to entering the global marketplace. The respondents are representative of the industrial sector of the Kingdom, located in Riyadh, Jeddah, Dammam and other cities in the Eastern Province. These cities were selected by the researcher as they comprise a large range of industries. Geographically their close proximities facilitated data gathering. Following collection of the questionnaires, the data was keypunched, verified, and computerised to produce the highest attainable level of accuracy. The Statistical Package for the Social Sciences (SPSS) Extended Programme was used for the analysis of the responses.

Chapter 6, "Examining the Importance of HRM & HRD: Data Analysis I," reports the results of the questionnaire for statements B1 through B23. The ANOVA and Mann-Whitney tests were used to identify differences in attitude and opinion. These statements concentrated on the characteristics of the respondents. The focus was on the age, nationality, qualifications, experience, types of industry and type of company in which the respondent was employed. The results of the analysis showed the majority of respondents were over the age of 30, with a small percentage (9.7) less than 30 years of age. However, according to the responses, many of the young managers had a better understanding of the requirements for entering the global marketplace than older, more experienced, managers. It was also anticipated that the non-Saudi managers would have less knowledge about HRM and HRD; however findings did not support this. The Saudi managers also seemed to have a better understanding of the role of HRM and HRD in the organisation. In many cases, there was not a significant difference between the Saudi and non-Saudi managers relative to HRM and HRD policies.

Chapter 7, "Organisation Development and Management Development Strategies: Data Analysis II," reviews those factors which are required when consideration is being given to enter the global marketplace. The focus of questions pertained to Organisation and MD. A descriptive analysis was used for the analysis of the responses in Section C and D of the questionnaire. The questions asked were for the purpose of identifying the respondents knowledge and experience regarding marketing in a foreign environment. The responses exhibited considerable variety as to what was viewed as relevant factors when operating in

the global marketplace. The results of the responses were compared to a study conducted by Barham and Devine in 1991. Little consistency between the two studies was found. The results indicated that the majority of respondents had some knowledge of the international environment but were not in agreement as to the relevance of the different issues. There was evidence that Saudi organisations did not equip their managers with insights into new patterns of thinking strategy in preparation to enter the global business environment in the twenty-first century.

Chapter 8, "Testing the Hypotheses," reviews the responses for the purpose of testing the eight hypotheses. The first hypothesis sought evidence to support the statement that: "Older managers would rate a number of HRM policies and practices higher than younger managers." As the results of this study indicated, this hypothesis was not fully supported. For example, the importance of the relationship between HRM and HRD within an organisation was seen by mature managers as being inseparable (See Tables 6.3 and 6.4). However, when experience is taken into account, there is evidence to support some of the elements of this hypothesis. For instance, Tables 6.14 and 6.15 illustrate the relationship between experience and the approach to HRM, in that mature managers appear to recognise the importance of HRM policies and practices, and the implications they have for general management.

The second hypothesis that non-Saudi managers would have a greater awareness of the importance of HRM activities than their Saudi counterparts, based on statements B3,

B4-1, B13, and B22, was not fully supported. The results indicated that more Saudi managers agreed with the statements compared to non-Saudis when significance tests were undertaken. While there was a significant percentage of respondents indicating “no opinion”, the number of those responding is viewed as being sufficient for testing the hypothesis accurately. However, when a comparison is made using straight percentages based on the responses of these two groups, the data again tended to support the hypothesis with non-Saudi manager having a slightly higher positive response to these statements. Overall, the results were inconclusive, so it could be argued that this particular hypothesis was neither proved or disproved with certainty. On a positive note, it was encouraging to find that the responses indicated that Saudi managers have, in general, a good understanding of the role of HRM in the organisation.

The third hypothesis that HRM and HRD should be integrated with corporate strategy when globalising was supported. While non-oil companies employees gave it the strongest support, respondents from oil companies also expressed support. Therefore, the hypothesis is supported and compares favourably with evidence from the literature. Barham (1991) supported this view, saying that the degree of success that companies achieve in their globalisation depends on their approach to international HRM. Without emphasis being placed on HRM, management will not have the resources necessary to enter the global marketplace (Tung and Miller, 1990: 5).

The fourth hypothesis that “MD is central to the improvement of managerial skills and effectiveness” was rejected. Managers with higher levels of education did not support the statement, whereas those with secondary education had a better appreciation for the need for management programmes to be implemented in the organisation for the purpose of developing management skills of those in management positions, as well as preparing men and women for such positions.

The fifth hypothesis, “In a globalising company, HRD must provides managerial competencies for strategic awareness, adaptability to new situations, sensitivity to different cultures, ability to work in international teams, and language skills.” The results of this study indicate that if the order of competencies as stated by this hypothesis are taken to be rigid, then this hypothesis was not supported since the order identified by the present study did not match that of Barham and Devine. However, as there are three competencies that are present in both studies - language skills, adaptability to new situations and strategic awareness - albeit in a different order, it could be argued that the results were inconclusive and it would be imprudent to reject this hypothesis altogether.

The sixth hypothesis that “ Younger managers will be more willing to accept international positions than older managers” was not supported. The results show that 50 percent of the older managers were willing to accept an international assignment compared to only 38.4 percent of their younger counterparts. The results also show that younger managers were

assigned to international postings lasting an average of only one year, while mature managers were assigned to positions of a longer duration.

The seventh hypothesis, “Disruption of children’s education, ageing relatives, fear of losing influence and visibility at a corporate centre, and finding re-integration difficult on return, are factors which influence the willingness of managers in Saudi companies to take international assignments.” The data from this study and the cross-tabulation analysis show that this hypothesis, contained four out of five constraints originally cited, albeit in a different order, was partially supported but containing some differences of opinion, such as the relative importance of spouse/partner reluctance to give up own career, that will require the order of the Barham and Devine findings to be reconsidered in the light of the evidence from this survey.

The eighth hypothesis, “Technical skills/expertise for the job, potential of manager to develop in the new role, knowledge of company systems, procedures, understanding the market and customers and appropriate language skills are necessary for managers operating in the international environment.” The findings of this study have been analysed with regard to hypothesis 8 and the evidence gathered suggests that this hypothesis is only partially supported, insofar as technical skills/expertise for the job and appropriate language skills are concerned. However, the rest of the evidence points to other selection criteria that the respondents identified as being important that appear to

contradict Barham and Devine, which leads to the conclusion that this particular hypothesis is rejected.

In summary, the results of this study with regards to the testing of the eight hypothesis indicated a diverse response from those managers questioned in the survey. In some instances, the hypotheses were supported by the evidence from the study, while in other cases the results were inconclusive or partially supportive of the hypothesis. Hypothesis 1 was partially supported with the data indicating that both older and younger managers were equally aware of the importance of HRM in a global context in some instances. Results regarding Hypothesis 2 were also inconclusive with Saudi managers rating some of the statements used to test this hypothesis higher than non-Saudi managers. Hypothesis 3 was supported by the data from this survey with the respondents generally agreeing that HRM and HRD must be integrated with corporate strategy with any differences not being statistically significant. Hypothesis 4, regarding MD, was rejected, particularly by those managers with higher degrees (MBA and other postgraduate degrees), the main reasons given being a lack of commitment to MD by senior managers or lack of funds.

The results regarding Hypothesis 5 were inconclusive in that, while three out of the five key characteristics identified by this hypothesis were present in the current study, their order of importance differed from that of Barham and Devine. Major differences were highlighted which suggest that the work of Barham and Devine has been

superseded by the results of this survey. The willingness of younger managers to accept an overseas assignment, as defined by Hypothesis 6, was not supported by the data from this study, which found that, contrary to the evidence from the literature, younger managers were less willing than older managers to accept international assignments. The results regarding Hypothesis 7 were also inconclusive regarding the importance of those factors that prevent managers from accepting international positions. Although four out of the five factors were present in the current study to suggest support for the hypothesis, their order differed sufficiently to indicate rejection, but it would be imprudent to reject this hypothesis altogether. Hypothesis 8 was rejected, even though there was some evidence to indicate partial support, but this was insufficient to fully support the hypothesis.

Chapter 9 sets out a model for managers to use when giving consideration to operating in a foreign environment. The model proposed in Chapter 3 was modified to include an increased number of factors which the research revealed as being important to globalisation.

The HRD department can justify being made the heart of the organisation's energy for growth and expansion. The reason is that there are too many opportunities for failure unless HRD programmes are well designed, up to date, and adequately and precisely meet the needs of those working in a foreign environment or planning to do so.

10.2 MAIN OUTCOMES

The major changes taking place include the breaking down of trade barriers between nations, the introduction of new telecommunications systems, and the development of the global marketplace. These changes are affecting the way in which business is being conducted throughout the world. Globalisation is not something new, but acquired greater prominence during the 1980s with the introduction of new technology, increase in mergers and acquisitions, the growth of offshore financial markets, and influence by trade agreements between nations (Dicken, 1992; Fleenor, 1993).

Globalisation of the market has changed the way of doing business in many ways. Factories, technology and human resources are crossing borders with little hindrance, for example, the Single European Market. Home government regulations and restrictions can be easily circumvented by having overseas operations. Opportunities for more business in new markets are increasing while customers are becoming more powerful as they have more choice of products to purchase.

Globalisation presents many challenges for managers in every organisation as it involves changing the company's business practices. These challenges involve every aspect of the way of doing business. To be successful in the global market, companies must adapt to the political, social, and cultural environments in the countries in which they desire to do business. Managing in the global market is not a simple task. While there is no one managerial system that has proven to be universally appropriate there is

a consensus of opinion that without strategic planning and preparing human resources, such an undertaking will not be successful (Marquardt and Engel, 1993; Ferketish and Hayden, 1992).

HRM and HRD must play a major role not only in preparing the company to enter the global market but also in training personnel to ensure that the qualified manpower is prepared to make the transition from the domestic to a foreign environment. The focus of the study is primarily designed to assist managers in making decisions as to whether they would benefit from entering the global marketplace and what would be required if they make the decision to do so.

The main thrust of the study concentrated on Saudi and non-Saudi managers currently working in domestic and international organisations in Saudi Arabia. During the last two decades there has been a tremendous growth in industrialisation in the Kingdom with government encouraging the private sector to have greater participation in the economy and as a result, the private sector has expanded throughout the Kingdom. However, because the domestic market is relatively small many companies are now seeking overseas markets to sell their products and increase profits.

The main objective of this study was to identify factors that influence organisations to seek markets outside their national borders and the role HRM and HRD play in the globalisation process. This was to be achieved through the identification from existing

literature of certain key characteristics, competencies, skills and abilities needed by managers to function effectively in an international environment as well as highlighting factors that prevent managers from accepting international positions and contrasting these with the results of the present study.

Distinctions were made between type of company (global, multinational and international), type of industry (oil and non-oil) and respondents from the study were divided into mature and young managers as well as Saudi and non-Saudi managers. The purpose was to ascertain what factors were influencing which group(s), how these various groups responded to pressures and to identify their respective approaches to dealing with these influences and pressures, as well as determining the impact HRM/HRD policies and practices had on those managers going through, or about to go through, the globalisation process.

This research found that some of the generally held beliefs in the literature regarding HRM/HRD were upheld, while others were not fully supported. This study also disagree with some of the essential characteristics and skills needed by an international manager (as identified by Barham and Devine), if not in their entirety, then at least regarding the order of their relative importance, and highlighting major differences between currently held views (in the literature) and the respondents of this survey in this important area.

The main outcome of this study relates to the importance of the relationship between HRM and HRD and how the respondents viewed this area using a number of variables: age, experience, education, nationality and type of industry. For example, managers between the ages of 30 and 50 had more experience with HRM than those who were younger. Although the majority of respondents indicated that they had university degrees, most did not recognise the importance of specific T&D in preparing managers to work in a multicultural environment, whilst those managers with a secondary education supported the view that such T&D is vital to the company's success in a foreign environment, thus agreeing with the literature. The responses of managers with secondary education were consistently higher than those with university or higher degrees regarding the statements on HRM/HRD used in the survey, thereby indicating that higher qualifications are not indicative of a better awareness of HRM/HRD and their importance. This was a significant finding, as the greatest constraint when entering the global marketplace is the shortage of managers with adequate skills, knowledge, and ability to operate in a dynamic environment, such as the highly competitive global marketplace (Scullion, 1992). Older managers were also more aware of the need to respond to the increased diversity required to operate in the international, as well as the local, arena (See Table 6.4), as well as recognising that HRM and HRD were aspects of the same function. The study also found that experience in the current position had an influence on the responses of those surveyed, with the indication being that the more experience a manager had, the more (s)he was likely to have a better understanding/awareness of HRM/HRD.

According to the nationality variable, the study also identified that there was a lack of general awareness of the importance of HRM activities, although Saudi managers showed a better understanding of the need for specific T&D programmes required to operate in a multicultural environment than their non-Saudi counterparts. Saudi managers rated all the statements (Tables 6.8 and 6.9) higher than their non-Saudi counterparts, with regards to the various policies and practices associated with HRM/HRD. This is an important finding in that this indicates that Saudi managers will be better prepared for the challenges of globalisation, even though it was hypothesised that non-Saudi managers, because of their training in the parent country as well as their international experience, would have a better understanding of HRM/HRD and its role in the globalisation process. However, a number of respondents expressed no opinion, which suggests a need for these managers to acquire a greater understanding of what is required in order to prepare for expansion into a global marketplace.

Regarding the type of industry variable, the study found that managers from non-oil companies appeared to be more aware of the implications of HRM/HRD to organisational and personal success. These results are surprising since it was hypothesised that managers from oil companies, who already operate in a global market and are expected to be more experienced in international management, would demonstrate a clearer understanding of HRM/HRD. The researcher is of the opinion that, if the managers in non-oil companies show such awareness and understanding of HRM/HRD while they are still operating in international rather than global markets,

then they stand a better chance of succeeding in their objectives, provided they are suitably trained in international management, once they begin the globalisation process.

Overall, the respondents of this study strongly agreed with or agreed with many of, the statements regarding HRM items (See Table 6.20), demonstrating a general understanding of the policies and practices of HRM/HRD and the important role they play in developing and training managers to meet organisational objectives. Also, many of the managers who show an awareness that entering new markets requires increased skills if an organisation is to have a competitive edge in the marketplace. However, a small percentage of these managers also had a good understanding of the role of HRD in preparation for entering new markets. One major reason is that there is a lack of research studies which have identified the importance of HRM and HRD that could serve as guidelines for management in making these important decisions. The lack of such research places greater significance on this study, which was designed to fill this void.

The second most important outcome related to the characteristics, skills and abilities needed by an international manager and the various constraints that may prevent the acquisition of international experience. These findings challenge the relative order of importance of such characteristics, skills and abilities as defined by Barham and Devine and suggest that the work of Barham and Devine may have now become dated. The various differences have been analysed and discussed in great detail in Chapter 8, with

explanations given as to why the findings of this study are relevant for organisations considering entering the global marketplace.

However, it is worth noting here the main differences that emerge as a result of the comparison between Barham and Devine, and the results of this study. The present research found that, unlike Barham and Devine, respondents considered language skills as the key characteristic of the international manager, rather than strategic awareness. This study also found that respondents regarded awareness of own cultural background as another important characteristic, something that was almost ignored in the Barham and Devine study. The presence of these two characteristics in a manager are crucial to his/her success in the global environment, not only because the target-market will facilitate better communications between different cultures, but also, if managers understand their own cultural background, they will be better prepared to relate to and understand other cultures, thereby avoiding misconceptions based on prejudice.

Other differences were also highlighted between this study and Barham and Devine regarding how managers are selected for international positions. Although both studies ranked technical skills/expertise for the job as the most important selection criteria, this study found that a proven expatriate track record was also considered to be important by the respondents of this survey as well as the nationality of the manager concerned. This does not appear in the Barham and Devine study at all. Other

relevant findings that were not discussed in chapter 8 (because they were not appropriate to the hypotheses being tested) relate to issues of gender and age, factors that were considered to be not relevant in the Barham and Devine study; with one criteria, religion, being present in this study and not included in Barham and Devine. No doubt these three factors are considered important by the respondents of this study, because of the influence of the country in which they are based. It has been mentioned elsewhere that Saudi Arabia is a very religious country where social issues such as gender and age play an important part, therefore any organisation considering sending a manager to Saudi Arabia has to take these into account. For example a female manager may not be able to function effectively if her movements or style of dress are restricted or if she is unable to relate to Saudi [male] managers on equal terms.

The last major outcome concerned the understanding of the global environment from a business perspective by the managers surveyed. For example, a majority of the respondents gave very little relevance to international trade agreements, such as the Single European Market, NAFTA and GATT, and this was apparent across distinctions between Saudi and non-Saudi managers as well as the type of company. Although Saudi managers were more aware of the relevance of these international trade agreements than their non-Saudi counterparts, the results nevertheless indicate a general ignorance of the importance of these agreements to international business, and the same was true according to the type of company (See Table 7.3).

These differences were even more pronounced between oil and non-oil industries, with the non-oil companies in particular regarding international trade agreements as being of little relevance (Table 7.4). This is an attitude that needs rapid readjustment if these non-oil companies, based in Saudi Arabia, wish to participate in the global arena. Non-oil companies consistently failed to regard many of the international business factors given in Table 7.4 as being of high relevance, with the exception of increased domestic competition and home government encouragement, which they considered to be highly relevant. This is an indication that non-oil companies, the majority of whom do not operate in the global market, are ill-prepared for the challenges that they will face if they decide to take the decision to enter such a market. No matter how aware they may be of the importance of HRM/HRD. Without an adequate understanding of the international business factors and how they will impact on their business, such companies will not be able to make the transition to global status successfully.

Continued expansion of Saudi companies depends on developing manpower skills, not only for the expansion of their markets, but to also reach full Saudiisation as mandated by the government. Although foreign expertise may be required by some companies, Saudi nationals can minimise this need if they are provided with the proper T&D within their companies. This of course applies not only to Saudi Arabia, but can be seen as necessary for most organisations that have overseas operations and want to make effective use of the knowledge, skills and abilities of their labour force. This requires the creation of HRD programmes designed to provide the necessary know-

how needed by the individual, and at the same time to bring greater benefit to the company as a whole.

Future growth depends on expansion into the global marketplace. However, for companies to have a competitive edge in the market, highly trained personnel are essential. Without effective strategic planning and training of managers, success in the market will not be realised. Companies with managers who have a good understanding of the role of HRM and HRD will have greater opportunities for successful ventures into foreign markets. This study is an important tool for managers and will assist them in making decisions to enter such a market and preparing the organisation to support such a decision.

10.3 COMPARISON WITH THE LITERATURE

Chapter 2, “The Global Business Environment: An Overview”, and Chapter 3, “Globalisation and HRD”, provide a review of literature conducted for this study. However, selected articles and studies have also been referred to in order to support various concepts and proposals, and to assist in the testing of 8 hypotheses which form the basis of this research.

The literature discussed in Chapter 2 supports the view that the world is becoming interconnected and eventually all nations will be part of one large global community.

This has resulted in a single large marketplace into which all business and industry will, in time, have to participate. There are a number of external forces that have promoted these changes. The results of the questionnaire indicated that many Saudi managers were not aware of all these forces, particularly the regional trade agreements. Respondents in oil industries were more aware because of their long established history of trading in this market, while the non-oil companies are still in their infancy and yet to acquire a global perspective. The majority of respondents supported the literature by realising that many of the major factors that are leading to the global market; namely, saturation of the domestic market, and increased domestic and foreign competition are also a factor in these respondents seeking a much larger market.

The literature goes into detail to identify the differences between the international, multinational and global organisation. The study indicated that managers had a good understanding of these differences, as a number of respondents had experience in multinational organisations. The literature reveals that marketing in the global environment required managers with certain expertise and understanding of the cultural differences in which they would be working. This study found that language skills, adaptability to new situations, strategic awareness and sensitivity to different cultures, among others, were believed to be of importance by a majority of the respondents. For this reason, the company that plans to operate in a foreign environment needs to establish a programme that includes planning, and T&D that best meets the needs of the organisation and the market they plan to enter. However the literature indicates

that there is no one single type of organisation structure or management style required to succeed in the global environment. Managers prepare for a foreign assignment in a number of different ways. The literature proposed that one of the most important was to arrange for managers to visit the host country before assignment. Other studies also agreed with statement which was supported by this study as well. Another important element in the literature is cross cultural training for managers, a view that was again upheld by the findings of this research. One of the most important elements was an understanding of the different ways that business is conducted globally. There is a general feeling as this research reveals, that the majority of managers working today in oil and non-oil companies are aware of the changes that are occurring in the world, but there is no a clear understanding of what is needed in order to be successful in this new marketing environment. However, this study found that one of the ways that this can be overcome is through the support and encouragement of the Saudi government, as well as host government support, and the realisation that the domestic market is insufficient to meet long term corporate objectives for expansion.

In Chapter 3, an attempt was made to clarify some of these issues. The literature was selected from a variety of sources in order to achieve a broad background of understanding the roles of HRM and HRD as an integrated function for MD. Many of the respondents had an awareness of these subjects as they relate to the global marketplace. For example, young managers indicated their understanding of the issues involved in HRD, mainly due to the fact they had recently graduated from western

universities which include these subjects in their management courses. The most valuable contribution made by this chapter is in the clarification of the roles of HRM and HRD and their implication for organisation and MD. However, the findings of this research indicate that HRD appears to be a separate function in the literature, and is seen by the majority of the respondents as a trigger for wider HRM policies and activities.

The literature indicates that the existence of HRM is essential to the planning of T&D activities as well as ensuring that skills were available at the time they are needed. The majority of Saudi and non-Saudi managers supported this statement. This indicates that there is a consensus of opinion as to the role of HRM within organisation, and how it can contribute to the globalisation of the company. Although there were some disagreements, the majority of respondents agree with the literature which indicates that the HRD manager is responsible for providing international managers with the required skills and competencies required to function in a foreign environment.

The literature also reveals that it is the tendency for companies to give younger managers international experience early in their career because they were more mobile and flexible compared to mature managers. However, the study found that young managers did not desire foreign assignments unless they were one year in length. It was the older, experienced managers who indicated that they were willing to take long-

term foreign assignments even though they had families, but it was the interruption of their children's education that prevented many from taking a such an assignment.

In summary, it can be seen that many of the concepts regarding HRM and HRD contained in the literature were supported by the findings of this research. Both the literature and this study agreed that the trend was towards a globalisation of the marketplace, that managers needed to be trained to ensure that they had the necessary skills, knowledge and attitudes needed to function effectively in the global environment. Furthermore, it illustrated that the literature and this study were in agreement regarding the use of language programmes, cross-cultural training and an understanding of the need for T&D programmes. However, while HRM and HRD are seen as separate functions in the literature, this study found that a majority of the respondents saw HRD as a trigger for wider HRM policies and activities and that HRM and HRD were very closely linked.

10.4 LIMITATIONS OF RESEARCH

The scope of the study is limited to Saudi exporting industries. Some authors (such as, Adler, 1992; Milliman, 1991 and recently Briscoe, 1995) indicate that export is the initial stage of internationalisation for most firms and usually occurs while the firm is relatively small. Briscoe states:

Most large multinational (manufacturing) firms that now have numerous subsidiaries all over the world began their foreign activities by exporting. (Briscoe, 1995: 23-24)

The researcher was very careful during the construction of the survey instrument, in order to achieve a clean results from the questionnaire, by following these steps:

- The questionnaire sought only information which could not be obtained from non-survey data;
- The questionnaire requested only data essential to the subject matter;
- Respondents were given clear and complete instructions on how to answer each item;
- Questions were presented in developing psychological order, proceeding from general to more specific responses.

The primary data for this research was limited to responses from a questionnaire obtained from 223 managers working in the private sector in Saudi Arabia. The analysis is based on their interpretation of the questionnaire and responses thereto and the researcher's interpretation of their responses. The majority of managers in Saudi Arabia are reluctant to respond to questionnaires primarily due to cultural factors which stress not disclosing personal or organisation information to outsiders. However, because the majority of these managers agreed to participate in this research, it is believed that they responded to the questionnaires to the best of their ability in an honest and credible manner.

The research is further limited by the fact that many of the managers who responded were with ARAMCO, a large oil company with managers who were more knowledgeable about

the subject. Managers in domestic companies, manufacturing products that could be suitable for the global marketplace, may not have had the opportunity to work with a company that was large enough to have an HRM Department. Their knowledge and experience regarding the needs of a company desiring to market in the global environment would be limited and it is these managers which additional research studies would benefit.

The researcher was further limited in that he was not given the opportunity to present the research to the managers personally and to explain its purpose and objectives. If able to do so, any questions respondents may have had could have been clarified. Therefore, the use of a questionnaire was the only method that could have been used to obtain primary data for this research.

This study is limited to a review of HRM and HRD as they relate to companies planning to enter the global marketplace. The research is directed toward managers working in companies in Saudi Arabia who may be considering entrance into the global marketplace. However, the information can be used by all managers for a better understanding of the role of HRM and HRD in an organisation and the role it should play.

One major limitation is the reliance on statistical tests of significance in the data analysis. As Atkins and Jarret (1989) and Jones (1992) point out, tests of statistical significance have become vital in social science, as they provide an objective way of drawing conclusions about quantitative data. Such tests are appealing to social scientists because this objectivity

gives reported results an aura of value-freeness. This links clearly to the goal within most social sciences of achieving the 'scientific' credibility of the natural sciences by producing results which are generalisable.

It is imperative that the social sciences win for themselves the acceptance of their generalisations as trustworthy. A faith in such trustworthiness has almost as great a part to play in converting a body of knowledge into "science" as has the established method of analysing phenomena or an adequate set of working tools. (Taylor, 1920: 731-2)

However, Atkins and Jarret (1989) believe that reliance on tests which demonstrate statistical significance undermines a 'healthy scepticism' of social scientific results. The authors suggest that the way in which such tests are used is inappropriate to the social sciences. In particular, they focus on the meaning such results have in terms of understanding differences between social groups.

The term was coined to mean strictly only that the sample data "signify" in the sense that they indicate the existence of a difference in a population sampled. (Atkins and Jarret, 1989: 89)

But, significance has a wider meaning which gives the strong impression that the result is important; the two meanings of significance become confused (Jones, 1992). The model of statistical significance used in social science was originally developed by scientists in the early nineteenth century. One of the first social experiments was done by Edgeworth (1885) who compared the mean stature of 2315 criminals with 8585 adult males and found that the difference of 2 inches was statistically significant. "Then, as so often happens today, the question of what the cause might be was ignored, or dealt with by off-the-cuff

speculations - the significant was seen as being an end in itself' (Jones, 1992: 396). As a result, significance testing is one of the most important techniques in a statistical method (Caswell, 1989; Kitchens, 1987; Erichson and Nosanchuk, 1992 and Rees, 1985). It is the cornerstone of many statistical applications in business research. And, a probability of 0.05 or 5 percent is customary in establishing the level of significance (Caswell, 1989: 237).

The primary data for this research was limited to a questionnaire sent to 223 general managers or one of their assistants working in the private sector (exporting industries) in Saudi Arabia. The results of the thesis are based almost entirely on the researcher's analysis of the questionnaire data. This method of data collection is commonly used for collecting official statistics. It has several advantages:

1. It is a less costly method than the personal interview, although the number of useful responses received may make it expensive in the long run.
2. The sample can usually be collected from a much wider geographical area.
3. Any bias of the interviewer is removed.
4. The respondent is not asked to give instant replies and so answers can be considered carefully and records consulted if necessary (Caswell, 1989: 14).

Additional information regarding the respondents, such as management positions, sales and product data, and the like, would have benefited the study. The potential benefit, however, is not viewed as being significant as this was not the main objective of the study. The data collected, both primary and secondary, provides a valuable resource on entry to the global marketplace that has not been duplicated. It contributes

significantly to the theoretical and practical understanding of what is required before making decisions to enter the global marketplace and what has to be done in order to be successful in such an extended market.

10.5 FUTURE RESEARCH

The study has far reaching importance for management of companies in Saudi Arabia who are facing increased competition in the domestic marketplace. As managers in these companies look for opportunities to enter a broader market, they need to have the tools that will enable them to be more successful. The research supports the need for such information if Saudi Arabia is to be able to participate more aggressively in the global environment. It is for this reason that the model in Chapter 9 was expanded so that it would be a more effective management tool. Copies of this research will be made available to managers through the Saudi Arabian Chamber of Commerce for those companies that wish to benefit from the information it contains. The researcher also plans to be available as a consultant to companies planning to expand their markets. The data collected in this study will be used as the framework for preparing management to enter the global market. Emphasis will be placed on the importance of HRM and HRD.

The present study is the first to be undertaken on developing managers for a borderless world, not only on the general managers in exporting industries, but also in Saudi Arabia in general. It is hoped that this work has prepared the ground for scholars and practitioners interested in studying global managers, particularly in developing countries, by providing a

broad basis for further research into the significant issues. The study has a number of implications that can be applied to future research in the fields of international HRM. The following are suggested productive avenues for future research:

1. Due to the complexity of the subject, and the fact that few organisations have had any significant experience in the global marketplace, additional research could benefit Saudi managers. That which would be of primary benefit would be an investigation of types of training programs being used in companies which are operating in a foreign environment, and a study of specific problem areas experienced. The goal is to obtain information regarding all that is involved in operating in a foreign environment that would benefit Saudi managers and minimise problems that would have a negative effect on operating successfully. This information could be obtained from research studies conducted with companies that are operating in the global marketplace during the last five to ten years.
2. Future research should be directed toward managers in the private sector outside oil producing companies, which are already selling in the global marketplace, and which function in a manner that differs significantly from those private companies attempting to sell products or services. The research should be more specific, to identify the needs of the organisation and assist managers to recognise weaknesses that need to be changed to strengths before making the decision to enter the global marketplace. Saudi organisations need to have the managerial ability to go beyond their domestic confines and to seek out opportunities wherever they can be found on the globe.

3. Most managers in this study agreed that global managers need international expertise; but this study did not show if their companies lack such a strategy. The future research should identify the current strategies most frequently used to internationalise Saudi exporting companies that have contributed to this study. It is better to have respondents as directors of HRM and MD.

4. Further studies should include a comparison of foreign managers working in Saudi Arabia, comparing their attitudes with those of native Saudi Arabians.

5. Another area in need of further research is the cultural adaptation of expatriate managers in Saudi Arabia.

6. More companies are recognising that the implications of moving staff into other cultural settings, and helping to prepare the employee and family members for the international assignment, has increasingly become an important activity for HR departments in international firms (Dowling et al., 1994). However, there remains a need for further work in other areas, such as designing equitable performance appraisal criteria that take into account the variables which influence expatriate performance.

7. The researcher very strongly recommends a future researcher to study and evaluate training programmes in Saudi exporting companies, because they are still in the initial stage of internationalisation. Briscoe (1995) indicates that most large multinational firms that

now have numerous subsidiaries dispersed all over the world began their foreign activities merely by exporting.

8. The researcher also recommends that future research involve personal interviewing. Interviewing would perhaps lead to a more complete respondents' analysis, the problems which respondents experience with their job, and could be an effective means of eliciting information from respondents.

Lastly, it is hoped by the researcher that this attempt to investigate managerial attitudes in exporting manufacturing enterprises in Saudi Arabia will stimulate further much needed research in this subject area. The need is particularly pressing in developing countries like Saudi Arabia, where such management is a new and vital phenomena. Avenues for further research in this promising area of inquiry have been mentioned, in the hope that they will be pursued.

10.6 CONCLUSION

The aims of this research, the main outcomes of the study and a comparison of the findings with the current literature on HRM/HRD have been discussed in detail in the preceding three sections of this chapter. In conclusion, some of the main differences, common grounds and implications will be considered in brief below.

There can be no doubt that the world of business and commerce is heading towards a global marketplace. The trend that is illustrated in the literature has been supported by the findings of this research. Saudi companies, whether they are managed by expatriates or have home-grown talent, recognise that they are facing the same problems in industry and business as experienced by companies all over the world. As domestic markets become saturated with the same or similar products as a result of increased domestic and foreign competition, Saudi companies, like their counterparts everywhere, are having to look outside their borders for growth, expansion and profits.

Saudi companies also recognise that entering the global market is not a simple matter and that cost implications cannot be ignored. They also realise the importance of careful preparation, in terms of business objectives and corporate strategy, the marshalling of resources, both human and material, the selection of managers who are suitably qualified, experienced or trained in operating in a global environment, before entering the world markets.

Both the literature and the findings of this study confirm the importance of HRM/HRD and the role they play when deciding to enter the global market. A company that enters this market without adequate preparation of its managers will not realise its aims and objectives and will cease to be a player in the global environment. The literature, while emphasising the role of HRM/HRD in global expansion, has a tendency to regard these two elements as separate functions. The original model for developing global managers (Figure 9.1) treated

HRD as a function of HRM. The findings of this research indicated that the vast majority of respondents, both Saudi and non-Saudi managers, regard HRM and HRD as being indistinct from each other and to some extent consider HRD as being the trigger for wider HRM policies and activities, while at the same time recognising the fact that HRD forms an inseparable part of the overall HRM strategy. It was this finding more than anything else, that led to the model being revised according to Figure 9.2.

Concerning other important factors, such as the characteristics of the international manager, this study found some common ground with the literature but also highlighted significant differences. For example, while strategic awareness, adaptability to new situations and language skills are considered to be important in the literature as well as this study, the order of their priority or importance differed between the two. Similar common grounds were also found between the literature and this research concerning such factors as selection criteria for international managers, their preparation methods and their willingness to accept international assignments, as well as major differences (For full discussion of the similarities and differences between the literature and this study, See Chapter 7).

There were also major differences between the literature and the results of this survey regarding the average duration of international assignments, the respective approaches to HRM/HRD between mature and younger managers, and the type of company and industry in which they worked. For example, managers in companies that already functioned in the global marketplace share a better understanding of the importance of HRM than their

counterparts in international or multinational companies. Recognition is also given to the increasing importance of giving managers more international exposure as the vast majority of managers indicated that international posting were likely to increase by a ratio of over four to one (Table 7.17).

The results of this study indicated that many managers are not prepared to meet the challenges of entering the global marketplace. The information derived from this study can benefit companies, and their managers, to better prepare the human resources of the organisation to operate effectively in the global environment and to reduce the likelihood of failure in this very competitive and volatile market. There can be no doubt that the more managers understand the subject of HRM/HRD, the greater the opportunity for an organisation to be successful in the market of a borderless world.

The revised model was designed to be of assistance to managers in Saudi companies and to provide them with a template to use as a guide in developing their expertise, knowledge, skills and abilities in their preparation for a multicultural environment. However, there is no reason why such a model cannot be used by organisation to train and develop their managers generally.

While the findings of this research have differed to some extent, and have contradicted generally held beliefs concerning HRM/HRD contained in the literature, it has to be pointed out that there can be little doubt regarding the validity of such conclusions. The sample

base of the research, while restricted to Saudi Arabia, encompassed national, international, multinational and global companies. The response rate was 62 percent (223 valid questionnaire returned from a sample of 400) with respondents coming from a very diverse cultural backgrounds including British, Americans, European and Japanese as well as Saudis. As a consequence, the views of such a diverse group, with a wealth of people management and international experience, cannot be dismissed out of hand.

10.7 THE END !

Finally, two questions; is preparing and developing managers for a borderless world important? And, has it been a worthwhile topic for a PhD?

Briscoe (1995) reports that the success of international HRM in the future will depend on the ability of companies to develop global managers with broad global perspectives, international experience, and strong technical skills. Therefore, I believe that developing and preparing managers for a borderless world is important, because this will help managers to cope with an uncertain future enabling them to work with greater flexibility anywhere in the world. Having an HRD programme will help managers to work in a specific foreign environment. To be successful, managers must have a good understanding of the target culture. Not preparing and developing an employee prior to a foreign assignment is unfair to the employee and his career goals, and to the company, because the results can be very costly and give the company a poor image of and in the foreign environment. A borderless world will reward managers with a global mentality and a broad perspective. In the words of Ed Dunn, Whirlpool's corporate Vice-President of HR,

You can't globalise your company unless you first globalise your people.

(Laabs, 1991: 45)

Those companies in the sample that are operating in the global marketplace, or planning to operate in such a market should put MD at the heart of their business. Globalisation and MD go hand in hand. Without MD, commercial success in the global marketplace is not possible.

Is this study a worthwhile topic for a PhD? This research has been exploratory rather than confirmatory, and as a consequence, many questions remain unanswered. Nevertheless, it is believed that the research has been useful for a number of reasons. As indicated above, Saudi managers have had limited experience participating in a research project of this nature. Most manage in a very conservative style, and continue to conduct business in the same manner as they have for many years. The study in some way prompted them to look at the way they conduct business and what they need to do if they are considering entering the global marketplace.

The research study, "Management Development In Saudi Arabia: Preparing For A Borderless World" meets the qualifications for a PhD. from the Management Centre, University of Leicester, to the extent that it meets the requirements for such a degree in making a contribution to business and industry. The study, consisting of 10 chapters, required three years of personal effort conducting research, writing the dissertation, and

preparing it for preparation to the university. It is representative of the quality of research demanded by the university and fills a void in the field of HRM and HRD.

Extensive research was conducted as represented in the Review of Literature on the subject of HRM and HRD. This review represents a summary of data published by well known theorists in the field. The data was narrowed to the areas of study providing the reader with a valuable reference on these specific and essential subjects as they relate to globalisation of business and industry.

A questionnaire response elicited from 223 managers in an effort to identify the depth of understanding of HRM and HRD within organisations. Following collection of the questionnaires, they were analysed for the purpose of identifying the degree of understanding of the subject within organisations. The data supported the view that many managers lack understanding and experience in the field.

The objective of the study was to make a contribution to business and industry in Saudi Arabia, to assist management in their ability to enter the global marketplace. The research, conducted under supervision received from the University of Leicester, has far reaching-implications for the growth and development of business and industry in the country. The knowledge and experience personally gained has prepared the researcher well to move on to business and industrial consultancy, with particular regard to resourcing global development successfully.

Furthermore, the study is of significance because we are living in a borderless world, one in which most businesses will be forced to look to other countries for growth and expansion. With companies all over the world selling in the same marketplace, the quality of preparation of management to work in a foreign environment will give Saudi companies a competitive edge. At the same time, growth and expansion of Saudi business is vital to the economic growth of the country. Although the Kingdom has some of the world's largest known oil reserves, they are being rapidly depleted due to world demand. Expansion of the industrial sector is essential if the country is to continue to provide a high standard of living for all the people.

The greatest benefit of the study is the fact that it has called to management's attention of the need to consider entering the global market, and at the same time, provides information that may not have been available in the past. It shows the importance of preparing managers to serve in the global environment as the foundation for future success. The study can be used by managers, particularly the model, to assist in making the best decisions for their organisations and to serve as a guide to minimise costly errors. A review of the research would save management a lot of the time that would otherwise be required to obtain the information from other sources. The study can also assist consultants working with Saudi management for a better understanding of where they are, relative to that which needs to be done before making plans to expand into the global marketplace.

Dear Sir,

My name is Mohammed Al-Qahtany and I am a lecturer at the Department of Business Administration, College of Administrative Sciences and planning, King Faisal University. At the moment, I am on study-leave at the Management Centre, University of Leicester in the United Kingdom.

In partial fulfilment for the requirement of the degree of Ph.D. in Business Administration, I am undertaking a research project entitled "Management Development in Saudi Arabia Preparing for A Borderless World". To this end, I would appreciate your co-operation in answering the questions on the attached questionnaire.

The questionnaire is divided into four sections:

- Section A asks for personal details.
- Section B asks for information about human resource management.
- Section C requires information about the way that increasing attention to international business might affect your company.
- Section D asks how your company approaches the international training and development of its managers.

The questionnaire should take about 20-25 minutes to complete.

Some of the questions are open-ended i.e. they allow you to answer in the terms that you feel are most appropriate for your company's situation. Other questions ask you to select appropriate answers from a given list by ticking appropriate boxes. Should there be any questions for which you have no immediate answer, please give an approximation or go on to the next one.

I very much hope that you will feel free to comment on any aspect of the questionnaire. For example, if you feel that there are important issues that I have not covered, I hope that you will bring them to my attention.

Should you be operating internationally, or perhaps contemplating such a move then it is likely that this paper will be of interest to you and copies will be available on request. I strongly emphasise that the information obtained will be used in the strictest confidence, and therefore your name is not required.

Thank you, once again, for your co-operation.

Questionnaire for Managers in Saudi Manufacturing Industries

Respondent no

Name of industry

Type of industry	Animal and Agricultural Products	Furniture	
	Food and Beverage	Paper Products	
	Metal Products and Transport	Building Materials	
	Chemical and Plastic Products	Engineering and electric products	
	Leather and Textile	Medical, Consumer Products & Others	

Business classification	Domestic market place	
	Gulf Co-operation Consul market place	
	International marketplace	
	Multinational marketplace	
	Global marketplace	

A. Personal Details:

1. Respondent's age	Less than 30 Years	
	30-40 Years	
	40-50 Years	
	More than 50 Years	

2. Nationality	Saudi	
	Non-Saudi, please state:	

3. Marital status	Single	
	Married	

If married, No. of children

4. Qualification	MBA	
	University degree	
	Senior high school	
	Vocational high school	
	Junior high school	
	Elementary school	
	Other, please state:	

5. Total years in education

6. Title of present position?

7. Experience in current position	less than 5 years	
	from 5 to 15 years	
	more than 15 years	

B. Human resource management:

Please respond to the following questions based on your personal opinion as to the needs of the organisation that could be met through an effective training program for management and personnel. Responses should indicate : (1) for strongly disagree, (2) disagree, (3) no opinion, (4) agree, and (5) strongly agree. Indicate by a check _ or an X.

1. Human resources management (HRM) is not only a function of an HRM speciality but also has implications for general management.

1. Strongly Disagree	2. Disagree	3. No opinion	4. Agree	5. Strongly Agree
----------------------------	----------------	------------------	-------------	-------------------------

2. Human resource management policies are central to the process of internationalisation.

1	2	3	4	5
---	---	---	---	---

3. The human resources manager should be responsible for co-ordination of company training & development.

1	2	3	4	5
---	---	---	---	---

4. a) In a multicultural environment general managers require specific training and development.

1	2	3	4	5
---	---	---	---	---

4. b) In a multicultural environment employees below the level of management require specific training and development.

1	2	3	4	5
---	---	---	---	---

5. Human resource strategy must be linked to the strategic evolution of the firm.

1	2	3	4	5
---	---	---	---	---

6. It is increasingly recognised that the effective management of human resource should be a major goal of organisation, whether international or domestic.

1	2	3	4	5
---	---	---	---	---

7. In the international arena, the quality of management is more critical than in domestic operations.

1	2	3	4	5
---	---	---	---	---

8. Effective international human resource management is increasingly being recognised as a major determinant of success or failure in international business.

1	2	3	4	5
---	---	---	---	---

9. Human resource development is integrated use of training and development, organisation development, and career development to improve individual, group, and organisational effectiveness.

1	2	3	4	5
---	---	---	---	---

10. Human resource development is part of the human resource management function in the organisation.

1	2	3	4	5
---	---	---	---	---

11. Human resource development should act as a trigger for wider human resource management policies and activities.

1	2	3	4	5
---	---	---	---	---

12. Effective human resource development will make the organisation more competitive.

1	2	3	4	5
---	---	---	---	---

13. The human resource development manager is responsible for providing international managers with skills & competences.

1	2	3	4	5
---	---	---	---	---

14. Linking human resource management and human resource development means that training plans will become more relevant to organisational objectives.

1. Strongly Disagree	2. Disagree	3. No opinion	4. Agree	5. Strongly Agree
----------------------------	----------------	------------------	-------------	-------------------------

15. Human resource development must integrate all its activities to ensure that the organisation can retain and motivate its employees.

1	2	3	4	5
---	---	---	---	---

16. Organisations which are globalising their business need management with special knowledge, skills and attitudes.

1	2	3	4	5
---	---	---	---	---

17. The internationalisation demands different managerial skills than purely domestic markets.

1	2	3	4	5
---	---	---	---	---

18. The greatest constraints when entering the global marketplace is the shortage of executives with adequate skills, knowledge, and sophistication to operate in a dynamic environment.

1	2	3	4	5
---	---	---	---	---

19. cultural skills are essential for staff on overseas postings.

1	2	3	4	5
---	---	---	---	---

20. Management development strategies designed for the local operation are not appropriate for a foreign environment.

1	2	3	4	5
---	---	---	---	---

21. Firms that train personnel for the global environment have a competitive edge in the marketplace.

1	2	3	4	5
---	---	---	---	---

22. Training and development are subsystems of human resource management.

1	2	3	4	5
---	---	---	---	---

23. Managers should respond to the increased diversity (demographics, values, experience) at all levels of the work force, both in the Kingdom of Saudi Arabia and worldwide.

1	2	3	4	5
---	---	---	---	---

C. Company International Perspectives

1. Are there any factors which are leading your company to pay increased attention to international business? (Please tick the appropriate box. **H** = Highly relevant **M** = medium relevance **L** = Low relevance. Please add any other factors that you think are relevant).

	H	M	L		H	M	L
Saturation of home market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Mergers / Acquisitions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increased domestic competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Home government encouragement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Foreign competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Host government encouragement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Speed of market changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Senior management changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Single European market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Use of surplus capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
North American Free Trade Agreement (NAFTA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	General Agreement on Tariffs on Trade (GATT)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other:							

.....

2. What practices has your company adopted that indicate an 'international' approach? (Please tick all answers that apply and add any others that you feel are appropriate).

Different nationalities on main board	<input type="checkbox"/>	International conferences/seminars	<input type="checkbox"/>
Board meetings away from parent co.	<input type="checkbox"/>	International telecom links	<input type="checkbox"/>
Corporate facilities abroad	<input type="checkbox"/>	International task forces	<input type="checkbox"/>

(e.g. R & D)

Other:

.....

3. Has your company established any ways of encouraging all employees, including those in the parent country, to 'think internationally' about their business activities? Please give a brief description.

.....

D. The international training and development of managers

1. What do you believe are the key characteristics of managers who are successful in international business? (Please RANK the 5 most important characteristics. Rank the most important as 1 and so on. Please do not use equal ranks).

Language skills	<input type="checkbox"/>	Awareness of own cultural background	<input type="checkbox"/>
Strategic awareness	<input type="checkbox"/>	High task-orientation	<input type="checkbox"/>
Understanding international marketing	<input type="checkbox"/>	Self-reliance	<input type="checkbox"/>
Understanding international finance	<input type="checkbox"/>	Sensitivity to different cultures	<input type="checkbox"/>
Ability to work in international teams	<input type="checkbox"/>	Open non-judgmental personality	<input type="checkbox"/>
International negotiation skills	<input type="checkbox"/>	Relationship skills	<input type="checkbox"/>
		Adaptability in new situations	<input type="checkbox"/>
Others (please state and rank)		<input type="checkbox"/>
		<input type="checkbox"/>

2. What are the principal methods by which managers in your company develop international skills and perspectives? (e.g. job rotation in departments in parent country handling international business; internal knowledge and skill courses; coaching by seniors; international visits; international postings; attending international conferences and meetings; distance learning; attending international business schools.

.....
.....
.....
.....

3. At what level does such development START? (please tick the appropriate box(es) and briefly describe what activity takes place at each level.

First-line/supervisory management	<input type="checkbox"/>
Junior Management	<input type="checkbox"/>
Middle Management	<input type="checkbox"/>
Senior Management	<input type="checkbox"/>
Top Management	<input type="checkbox"/>

Other comments:

.....
.....
.....

4. a) What do think will be your company's areas and major problem in tackling international business over the next five years, and

External (e.g. Markets, Customers, Suppliers, Governments, etc.)

Internal (e.g. Organisation structure, Human resource management, etc.)

4. b) what are the issues management development?

5. What is the average length (years) of typical international postings in your company? Please mention any variations, such as if a posting to a less developed country is shorter than one in a developed one.

6. Are there signs that the length of international postings is changing? Please specify and, if possible, give reasons.

7. What is the typical level of responsibility on a first international assignment? (e.g. line manager, project leader, specialist, site manager, country operation manager).

8. Are managers more willing or less willing (or no change) to accept international postings than they were, say, five years ago? (This may depend on the location of the posting).

9. Approximately what percentage of your current managers gain international experience through an international posting in the course of their career development?

.....

10. Will this increase, decrease or remain the same over the next five years?

.....

11. What are the most important considerations that arise when selecting managers for international postings in your organisation? (Please RANK the 5 most important consideration. Rank the most important as 1 and so on. Please do not use equal ranks).

	<input type="checkbox"/>	Knowledge/understanding of culture/norms of host country	<input type="checkbox"/>
Seniority	<input type="checkbox"/>	Necessary component of career path	<input type="checkbox"/>
Technical skills/expertise for the job	<input type="checkbox"/>	Gender	<input type="checkbox"/>
Appropriate language skills	<input type="checkbox"/>	Potential of manager to develop in role	<input type="checkbox"/>
Knowledge of company systems, procedures etc.	<input type="checkbox"/>	Religion	<input type="checkbox"/>
Age	<input type="checkbox"/>	Understanding the market and customers	<input type="checkbox"/>
Support of spouse and family	<input type="checkbox"/>	Nationality	<input type="checkbox"/>
Good health	<input type="checkbox"/>	Proven expatriate track record	<input type="checkbox"/>
Other (please state and rank):	<input type="checkbox"/>		
.....	<input type="checkbox"/>		

12. How does your company prepare managers for an international posting? (please RANK the 5 most important activities. Rank the most important as 1 and so on. Please do not use equal ranks).

- | | | | |
|---|--------------------------|--|--------------------------|
| Briefing by host country managers | <input type="checkbox"/> | | |
| Cross-cultural training for managers | <input type="checkbox"/> | Arranging for managers to visit host country | <input type="checkbox"/> |
| Training in negotiating within business norms of host country | <input type="checkbox"/> | Cross-cultural training for family | <input type="checkbox"/> |
| General management course at business school. | <input type="checkbox"/> | Language training for family | <input type="checkbox"/> |
| In-house general management course | <input type="checkbox"/> | Language training for managers | <input type="checkbox"/> |
| Others (please state and rank): | | | <input type="checkbox"/> |
| | | | <input type="checkbox"/> |

13. What are the major constraints in your company on managers gaining international experience? (Please RANK the 5 most important constraints. Rank the most important as 1 and so on. Please do not use equal ranks).

- | | | | |
|---|--------------------------|--|--------------------------|
| Fear of losing influence/visibility at corporate centre | <input type="checkbox"/> | Spouse/partner reluctant to give up own career | <input type="checkbox"/> |
| Lack of co-ordinated approach across the company | <input type="checkbox"/> | Subsidiaries in non-parent countries unwilling to release managers | <input type="checkbox"/> |
| Elderly relatives | <input type="checkbox"/> | Financial constraints (relocation cost, foreign allowances, tax) | <input type="checkbox"/> |
| Disruption of children's education | <input type="checkbox"/> | Organisation finds difficulty in re-absorbing returning managers | <input type="checkbox"/> |
| Immigration/employment laws and host-country restrictions | <input type="checkbox"/> | Managers find re-integration difficult on return | <input type="checkbox"/> |
| Host country subsidiaries unwilling to accept managers | <input type="checkbox"/> | Lack of perceived need | <input type="checkbox"/> |
| Others (please state and rank): | | | <input type="checkbox"/> |
| | | | <input type="checkbox"/> |

14. Any other comments?

.....

.....

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.....

.....

.....

-الأخ الكريم

أشكركم على تبرولكم المشاركة في هذا الأسبوع والذي يعتبر جزء من متطلبات الحصول على شهادة الدكتوراه في إدارة الأعمال والتي اعجل حاليا على اعدادها بعنوان "تطوير الموارد البشرية في المملكة العربية السعودية و اعدادها لنالم بلا حدود" و ذلك في مركز الإدارة في جامعة لسي في المملكة المتحدة . و كما اود اعلامكم بانني ايضا اعجل محاضرا في قسم ادارة الاعمال ، كلية العلوم الإدارية والتخطيط ، جامعة الملك فيصل و مبحث حاليا للدراسة في المملكة المتحدة .

و ساكون شاكرا و مقدرا تعاونكم في الاجابة على الاسئلة الواردة في الاسبوع المرات والتي تدرج تحت اربع بنود :-

- أ) يتناول بعض التفاصيل الشخصية
- ب) ويبحث عن معلومات حول ادارة الموارد البشرية
- ج) ويسعى الى الحصول على معلومات حول تأثير زيادة الاعمال الدولية واثره المبرق على نشاط منظمكم
- د) و يبحث حول الاساليب التي استخدمها منظمكم في التدريب للمل دوليا و في تطوير مواردها البشرية .

علما بان الاجابة على الاسبوع يوقع ان تستغرق ما بين ٢٠ - ٢٥ دقيقة .

واود اذاتكم ان بعض هذه الاسئلة الواردة في الاسبوع قد صيغت بطريقة مرفة ، لتسمح لكم بالاجابة عليها بالطريقة التي ترون انها تناسب واقع منظمكم . واما باقي الاسئلة فهي اسئلة محددة الاجابة ، تفرق ان تفرق اجاباتها في الاشارة الى المربع المناسب بجانبها ، و اذا لم يكن لديك جوابا حاضرا وحاسما لأي من هذه الاسئلة ، فأرجو تقديمها لأقرب اجابة او ارجو الانتقال الى السؤال التالي .

ويشرفني ان اصبح منكم اي تطبيق على جانب من جوانب الاسبوع ، ليسعدني جدا ان اعلم بآى جوانب مهمة لم اتمكن من تغطيتها في هذا الاسبوع .

واود اعلامكم بانه اذا كانت منظمكم تعمل دوليا او ترى ذلك ، فانه من المبرق ان يكون هذا البحث مهما لها و التي يمكنكم تزويدكم بنسخة منه عند رغبكم بذلك . و لحظه من نافذة الحديث ، اذاتكم بان كل المعلومات التي ستقدم في هذا الاستفتاء ، ستستخدم بصورة سرية و بالتالي فلا حاجة لذكر اسمكم في الاستفتاء .

شاكرا و مقدرا كريم تعاونكم .

استفتاء للمبراء في الشركات الصناعية المسجلة

رقم الجـب :			
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اسم المصنع :	
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نوع الصناعة:	
المصنعات الحمرانية و الزراعية	الأثاث
المصنعات الغذائية و المشروبات	المصنعات الورقية
المصنعات المعدنية و وسائل النقل	مراد البناء
المصنعات الكيميائية و البلاستيكية	المعدات الهندسية
المسوجات و الجلود	مصنعات أسهلاكية و طبية و مطرعة

مجال النشاط	السوق المحلي
	دول مجلس التعاون الخليجي
	السوق الدولي (دوليين)
	معدد الدول
	السوق العالمي

(أ) معلومات شخصية

الامر	اقل من ٣٠ سنة
	من ٣٠ الى ٤٠ سنة
	من ٤٠ الى ٥٠ سنة
	اكثر من ٥٠ سنة

الجنسية	سعودي
	غير سعودي
	اذا غير سعودي يرجى التحديد

	الحالة الاجتماعية	أعزب
		متزوج
	إذا متزوج يرجى ذكر عدد الأطفال	

	المؤهلات	ماجستير في إدارة الأعمال
		شهادة جامعية
		ثانوية عامة
		ثانوية صناعية
		مدرسة
		ابتدائي
	أشترى يرجى التحديد	

	عدد سنوات التعليم
	اسم الوظيفة الحالية

	عدد سنوات الخبرة في الوظيفة الحالية	أقل من ٥ سنوات
		من ٥ إلى ١٥ سنة
		أكثر من ١٥ سنة

(ب) إدارة الموارد البشرية

أرجو الاجابة على الاسئلة التالية على ضوء مرتباتك الشخصية حول حاجة المنظمة الى ادارة الموارد البشرية التي يمكن تلخيصها من خلال نظام تدريبي فاعل للإدارة و الافراد . وارجو تحديد موقفك من كل عبارة بوضع رقم (١) لوافق بشدة ، (٢) لوافق ، (٣) لم اذكر بالموضوع ، (٤) اوافق بشدة . و يمكنك وضع علامة / او x على المربع الذي يناسب و رأيكم .

١	٢	٣	٤	٥
لاوافق بشدة	لاوافق	لم اذكر بالموضوع	وافق	وافق بشدة

١) ان ادارة الموارد البشرية هي ليست وظيفة اختصاصي الموارد البشرية فقط بل ذا ارتباط بالادارة العامة .

١	٢	٣	٤	٥
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٢) ان سياسات ادارة الموارد البشرية هي الاساس لاي عملية تميز الانطلاق دوليا .

١	٢	٣	٤	٥
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٣) ان مدير الموارد البشرية يجب ان يكون مسئول عن تنسيق الانشطة العديدة والتعاملية للمنظمة .

١	٢	٣	٤	٥
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٤) أ- في بيئة متعددة الثقافات والخلفيات ، فان المدراء النامين يحتاجون الى تطوير وتدريب خاص .

١	٢	٣	٤	٥
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ب- في بيئة متعددة الثقافات و الخلفيات ، فان المرطفين دون المدراء النامين ، يحتاجون الى تطوير وتدريب خاص .

١	٢	٣	٤	٥
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٥) ان استراتيجيات الموارد البشرية لابد ان تكون مرتبطة بالتطور الاستراتيجي للمنظمة .

١	٢	٣	٤	٥
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٦) لقد اصبح من المعترف عليه ، ان الادارة الفاعلة للموارد البشرية لابد ان تكون مدف اساسي للمنظمة سواء كانت محلية أو دولية.

١	٢	٣	٤	٥
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٧) ان مسعى وجرعة الإدارة هي اكثر اهمية وحساسية للمنظمات التي تعمل في السوق الدولي ، من تلك التي تعمل في السوق المحلي .

١	٢	٣	٤	٥
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٨) ان فاعلية الادارة الدولية للموارد البشرية باتت معروفة ، بانها عامل حاسم في النجاح او الفشل في ادارة الاعمال الدولية .

١	٢	٣	٤	٥
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٩) ان تطوير الموارد البشرية من الاستخدام المكامل لكل من التدريب والتطوير ، تطوير المنظمات والتطور الوظيفي وذلك بقصد تحسين فاعلية الفرد والمنظمة .

١	٢	٣	٤	٥
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١ .	٢ .	٣ .	٤ .	٥ .
لاوافق بشدة	لاوافق	لم أفكر بالموضوع	وافق	وافق بشدة

١٠ ان تطوير الموارد البشرية هي جزء من وظيفة ادارة الموارد البشرية في المنظمة .

١	٢	٣	٤	٥
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١١ ان تطوير ادارة الموارد البشرية كان عاملا مهما لانشط اوسع في مجالات أنشطة وسياسات ادارة الموارد البشرية .

١	٢	٣	٤	٥
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١٢ ان فاعلية تطوير الموارد البشرية سيجعل المنظمة اكثر قدرة على التعامل .

١	٢	٣	٤	٥
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١٣ ان مدير تطوير الموارد البشرية هو المسؤول عن تزويد المدراء العاملين في المجال الدولي بالمهارات والخبرات .

١	٢	٣	٤	٥
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١٤ ان ربط ادارة الموارد البشرية بتطوير الموارد البشرية ، معناه ان الخطط التدريبية ستكون اكثر ملائمة لاصداف المنظمة .

١	٢	٣	٤	٥
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١٥ لايد ان تكامل كافة أنشطة تطوير الموارد البشرية ، لضمان ان تستطيع المنظمة الاحتفاظ بموظفيها وتحتفظ بهم .

١	٢	٣	٤	٥
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١٦ ان المنظمات التي تزد ان تتغير اعمالا عالميا ، تحتاج الى مدراء ذوي مؤهلات ومهارات وانجازات متكاملة مهنية .

١	٢	٣	٤	٥
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١٧ ان الانتشار عالميا يتطلب مهارات ادارية ، تختلف عن ما يتطلبه السوق المحلي .

١	٢	٣	٤	٥
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١٨ ان اكبر العقبات لدى المنظمات التي تزد ان تتوسع في السوق الدولي ، هي النقص في المدراء الفنيين المؤهلين بالمهارات المناسبة والمعرفة الراسخة وبمد الاقليات اللازمة لبيئة عمل ديناميكية .

١	٢	٣	٤	٥
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١٩ ان المهارات المتعلقة بمعرفة التراث والواقع ، هي مهارات اساسية لاي اشخاص سيمهملون في الخارج .

١	٢	٣	٤	٥
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٢٠ ان استراتيجية تطوير الادارة والتي بنيت على عمليات السوق المحلي لاتصلح للسوق الدولي .

١	٢	٣	٤	٥
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٢١ ان المنظمات التي تدرب العاملين فيها على أنشطة السوق الدولي ذا ميزة تنافسية في السوق .

١	٢	٣	٤	٥
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٢٢ ان التدريب والتطوير هي جزء من نظم تطوير الموارد البشرية .

١	٢	٣	٤	٥
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٢٣ ان المدراء لايد ان يستجيبون للتعرج احداث حركهم (العوامل الديموغرافية ، القيم ، الخبرات) في كل مستويات قوة العمل سواء في المملكة العربية السعودية او في العالم .

١	٢	٣	٤	٥
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ج- منظور المنظمة نحو السوق الدولي

(١) ماضي الترامبل التي دعت منكم الى اعطاء اهتمام اكبر للسوق المالي (ارجو الاشارة الى الصندوق المناسب .
(أ) مناسب جدا (ب) متوسط المناسبة (ج) قليل المناسبة . ارجو اضافة اي غراميل اخرى تراها مناسبة او مناسبة .

(أ)	(ب)	(ج)
مناسب جداً	معقول المناسبة	قليل المناسبة

أ ب ج			أ ب ج		
					تشجيع السوق المحلي
		اندماج المنظمات او شرائها			زيادة المنافسة في السوق المحلي
		تشجيع الحكومة السريعة			المنافسة الاجنبية
		تشجيع الحكومة البطيئة			السرية في تقارير السوق
		التصريح في الادارة العليا			بروز السوق الأوروبية المشتركة
		استخدام الطاقة الاناجية الزائدة			ظهور السوق الحرة لأمريكا الشمالية (نافتا)
		المراقبة على اتفاقية الجات			

عوامل اخروی (ارجو ذکرها)

٢) ماهي التطبيقات او الممارسات التي تقوم بها منظماتكم والتي تعدل على دولية او عالمية انماذكم واسطويكم ؟ (أرجو الاشارة الى كل الاجابات المناسبة مع الاقتراح اى انماذات اخرى مناسبة) .

مؤتمرات دولية	أعضاء مجلس الإدارة من جمعيات مختلفة
نظام اتصالات دولي	جمعيات المجلس تشهد خارج المقر الرئيسي
فرق عمل دولية	بعض وظائف الشركة تؤدي في الخارج (مثل البحوث والتطوير)

انتھری (یروجی ذکرہا)

٢٢) هل قامت منظمتكم بأي وسيلة لتشجيع كافة الموظفين بما فيهم أولئك العاملين في دولة المقر ، للتفكير دوليا في أعمالهم ونشاطهم ؟ أرجو كتابة مبرر عن ذلك ؟

د) التطوير والتدريب الدولي للمدراء

١) مامو باعقاداتك الخاصة بالخصائص الرئيسية للمدراء الذين يكونون ناجحين في الأعمال الدولية (خارج بلد المقر) ؟ (يرجى الإشارة الى اهم خمس خصائص منهم مع ترتيبها بحيث يكون رقم ١ هو أهمها ثم الذي يليه الخ . واجتبا عدم استخدام الترتيب صريحا) .

القدرة اللغوية	الوعي بالبيئة والثقافة العالمية للفرد ذاته
الوعي الاستراتيجي	القدرة على اداء الاعمال الكبيرة
فهم الأسواق الدولية	الاقتصاد على الذات والنفس
استيعاب العمل الدولي	فهم البيئات المختلفة
القدرة على العمل ضمن فريق دولي	الشفافية المتفتحة
القدرة على التفاوض في المجال الدولي	القدرة على تكوين العلاقات

عوامل اخرى (ارجو ذكرها)

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٢) مامو الوسائل الرئيسية والتي يمكن من خلالها للمدراء في منظمتكم ، تطوير قدراتهم الدولية ؟ مثلا الدوران الوظيفي في الادارات التي تقوم بالاعمال الدولية في الشركة الام ، المعرفة الدولية وبرامج لتعليم المهارات ، الفرصة من خلال المدراء الاكثر خبرة ، الزيارات الدولية ، التوظيف خارج دولة المقر ، حضور مؤتمرات و اجتماعات دولية ، التعليم من بعد او بالمراسلة ، الدراسة في جامعات دولية تهتم بإدارة الأعمال.

٣) في اي مستوى يبدأ تطوير العاملين في منظمتكم ؟ (ارجو الإشارة الى الصناديق المناسبة مع شرح مبسط لبعض الأنشطة التي تتم في كل مستوى) .

		الإدارة الأثرية
		الإدارة الدنيا
		الإدارة المخطط
		الإدارة التنفيذية
		الإدارة العليا

أي ملاحظات أخرى :

٤) أ- مامر باعتقادك ستكون المجالات والتحديات التي ستراجع منظمكم في مجال الاعمال الدولية خلال الخمس السنوات القادمة ، سواء كانت خارجية (الاسواق ، الزبائن ، تزويد المواد ، الاجراءات الحكوميةالخ) داخليا (الهيكل التنظيمي ، تطوير الموارد البشريةالخ) .

ب- مامر التحديات التي تراجعه تطوير الادارة ؟

٥) مامر المدة التي يكلف فيها المرطلف بالمعمل في وظيفة خارج دولة المقر ؟ ارجو ذكر اي تفاوت في سياسة المنظمة اذا كان التكاليف معال تقل مدته في الدول الاقل تقدما عنه في الدول المتقدمة .

٦) هل هناك دلائل تظهر ان سياسة منظمكم تحول مدة التكاليف بالمعمل خارج دولة المقر مستثير ؟ ارجو ذكر ذلك مع بيان الاسباب المؤيدة الى ذلك .

٧) ماذا عادةً يسعى المسؤولون للتكاليف الأولى بالمعمل خارج المقر الرئيسي ؟ (مثلا رئيس قسم ، رئيس مشروع ، اختصاصي ، مدير مبيعات ، مدير مبيعات دولية) .

٨) هل المدراء لديهم رغبة أكثر أو أقل (أولا تميز) لقبول تكاليف بالمعمل خارج دولة المقر عما كان عليه الوضع قبل خمس سنوات (ويعتمد ذلك على مكان أو دولة التكاليف) .

٩) كم نسبة المدراء الحاليين (تقريبا) الذين اكتسبوا خبرة دولية من خلال التوظيف في خارج دولة المقر خلال تطوره الوظيفي؟

١٠) هل تعتقد ان هذا الامر (اي اكتساب خبرة دولية من خلال المعمل خارج دولة المقر) سيزيد او ينقص ام سيبقى ، خلال الخمس سنوات القادمة ؟

١١) ما هي اهم الاختبارات التي تؤخذ بين الاختبار عند اختيار المدراء للمعمل خارج دولة المقر في منطقتكم ؟ (ارجو ترتيبهم حسب اهم خمس عوامل - ارجو اعطاء رقم ١ للاهم ثم الذي يليه وهكذا . ارجو عدم استخدام نفس الترتيب مرتين) .

الاقتصادية	معرفة قيم و ثقافة الدولة المضيفة
المهارات والخبرات الفنية في الوظيفة	المقدرة المهنية في المسار الوظيفي
المقدرة اللغوية المناسبة	الجنس
السن	قدرة المدير على التطور
المساندة المالية	الدين
الصحة الجيدة	معرفة السوق والزبائن
الجنسية	وجود سجل حافل بالمعمل في الخارج

- اخرى (يرجى ذكرها)

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(١٢) كيف تقوم منظمةكم بإعداد المدخلات للعمل في الخارج ؟ (ارجو ترتيبهم حسب اهم محس النشاط ، كما ارجو اخطاء رقم ١ لاكثر اهمية ثم الذي يليه وهكذا . و ارجو عدم استخدام الترتيب مو تن) .

	شرح موجز من المدراء في الدولة المضيفة		ترتيب زيارة المدراء للدولة المضيفة	
	تدريب التدريب والذي يشمل العديد من الثقافات والبيئات		تدريب التدريب عبر ثقافات متعددة لافراد العائلة	
	التدريب على التفاوض ضمن بيئة الدولة المضيفة		تدريب برامج لمة لافراد العائلة	
	برنامج للإدارة في كلية ادارة الاعمال		تدريب عام داخلي على الإدارة	
	تدريب برامج لمة للمدراء			

اخروی (برجی بیانها و ترقیہا)

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(١٢) ملهى القبايات الرئيسية في منطقتكم ليحصل المراء على الخبرة في مجال الاعمال خارج دولة القصر (ارجو ترتيبهم حسب اهم مشى عقبات ، كما ارجو اعطاء رقم ١ لاكمالهم اهمية ثم الذى يليه وهكذا ارجو عدم استخدام الترتيب مرنين) .

الحقوق من فقدان التأثير والرؤيا في بيئة المنظمة	شريك الزوجية غير راضٍ في فقدانها لوظيفته
خواب الاسلوب المعكامل في المنظمة	الشركات التابعة في الدول خارج دولة المقر غير راضية في ترك مدراءها
كبار السن من الأتارب	صعوبات مالية (تكلفة المعاليف للخارج ، الصلاوات الاضافية للتوصل بالخارج)
مشاكل في تعليم الاطفال	المنظمة تجد صعوبة في استيعاب المدراء الذين يهودن
قيود على الهجرة او العطف في الدولة المضيفة	المدراء يهودن صعوبة في التأقلم عند عودتهم للمقر الرئيسي
	الشركات التابعة في الدولة المضيفة غير راضية في قبول المدراء

اخرى (برجى ذكرها وتوتسها)

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(١٤) أي التراحات أو ملاحظات أخرى:

PUBLIC RELATION DEPARTMENT

MEDIA REL. DIV.-R-2206 E.Admin Bldg

TEL: 874-2409, FAX: 873-8490

August 16, 1994

DHAHRAN, SAUDI ARABIA

QUESTIONNAIRE TO BE FILLED OUT

Please find attached questionnaire, undertaken by Mohammed Al-Qahtany a lecturer at the KFU, who is now working toward his Ph.D degree in Business Administration in the University of Leicester in the United Kingdom.

The questionnaire to be filled out, is in two sets Arabic and English which gives you the chance to choose what you preferred to be answered. Saudi Aramco has been selected for such study due to its well organized management with its commitment and obligation toward the Kingdom's industries.

The PRD urges you to cooperate in this subject and appreciate receiving your input before August 23.

Your cooperation in this regard is highly appreciated.

A.H.Al-Ghamedi



Administrator, Media Rel. Div./PR

Attach:

cc:Manager,PR

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