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International Human Resource Management in the Arab Gulf States – An Institutional Perspective

Abstract

This paper seeks to explore the increasingly dominant role of International Human Resource Management (IHRM) policies and practices of Multinational Enterprises (MNEs) operating in the emerging economies of the Arab Gulf States and, more specifically, in the United Arab Emirates (UAE).The existing literature on institutions suggest that MNEs are under influence and pressure to adopt HR practices that are viewed as being appropriate for the context and situation. However, distinctive institutions in the Arab Gulf States such as the UAE, and their impacts on MNEs' people management have been largely overlooked in prior work. Hence, with a particular focus on institutional theory, this work explores the effects of home-country institutional factors on IHRM in foreign subsidiaries. Furthermore, the paper aims to examine how regulative, cognitive and normative institutional dimensions affect the IHRM choices of MNEs. In depth interviews with 26 Human Resource (HR) managers located in the head offices of the participating MNEs were conducted, revealing that IHRM practices in this institutional setting are built upon fragile, dependent and uncertain conditions, and they are not grounded in the sort of deep and stable institutional foundations prevalent in most developed economies. As a result, we propose a more nuanced institutional framework that captures the peculiar aspects of the Arab Gulf States.

Keywords: MNEs, IHRM, emerging markets, institutions, UAE.

Introduction

With respect to the most recent UNCTAD (2015) (http://unctad.org en/PublicationsLibrary/ wir2015_en.pdf) report, developing countries and economies in transition attract more than half of the value of global Foreign Direct Investment (FDI) flows, and their importance as FDI recipients continues to grow. However, emerging economies have not only become important hosts of FDI: they are growing sources of investment themselves, with their share in world outflows exceeding one third. While these countries previously looked at FDI mainly from a host-country perspective, they now also consider increasingly to investment abroad. Taking recent trends into account, emerging economies such as those of China, India, the Republic of Korea and the United Arab Emirates (UAE) appear in the top 12 prospective investing countries. In the context of the UAE, high public spending by its capital Abu Dhabi and the strong performance of Dubai's non-hydrocarbon sector have helped to build foreign investment. The changes in the global landscape guide us to the basic question: what development in the IHRM practice in MNEs headquartered in emerging economies has now become an important aspect of the literature that deserves our attention?

Despite the globalization thesis (Levitt, 1983), MNEs continue to be heavily influenced by the institutional context of the country in which their corporate headquarters are located (Ferner and Quintanilla, 1998). Further, as Whitley (1994) outline, differences in major institutions generate significant variation in how firms and markets operate. Thus, institutional theory is a theoretical lens that has been widely used to study the adoption and diffusion of organisational forms and practices (see e.g. DiMaggio and Powell, 1983; Björkman, Fey and Park, 2007). One of the earliest publications on institutionalism and economic activities remains associated with Selznick (1957) in which he described the role of institutions as instilling value and providing intrinsic worth to the structure and process to the organizations. Meyer and Rowan (1977) view institutionalism as the social pressure by which individuals accept a shared definition of social environment.

Given our research focus, the argument within the institutional perspective is that organisations are under social influence and pressure to adopt practices – such as IHRM – that are viewed as being appropriate for the context and situation (DiMaggio and Powell, 1983, 1991; Scott, 2001). The main assumption is that the local institutional environment will shape firms' IHRM pattern (Aguilera and Yip, 2004). Moreover, research has shown there to be considerable differences in the HRM practices found across the subsidiaries of MNEs,

reflecting among others the local institutional influence on the subsidiaries (Rosenzweig and Nohria, 1994). Much theoretical interest has been accorded to HRM practices of MNEs in their foreign subsidiaries (Björkman, Fey and Park, 2007, Farndale, Brewster and Poutsma, 2008). Existing literature (see e.g. Hannon, Huang and Jaw, 1995) referred to institutional theory and analysed how host country regulatory, normative and cognitive (Scott, 1995; 2001) institutional processes influence the IHRM practices of foreign-owned subsidiaries. More specifically, the institutional context, primarily and though not necessary the national, which has become the key for understanding organizational practices (Morgan 2007).

Scholarly contributions on the interplay between institutionalism and IHRM in emerging countries and especially in the emerging Gulf countries are still scarce (Afiouni, Karam and El-Hajj, 2013; Al Ariss, 2014), although an increasing importance can be attributed to these countries, which are known as the Gulf Corporation Countries (GCC) which include Saudi Arabia, Bahrain, Oman, Qatar, Kuwait and the UAE. Therefore, our primary aim is to clarify the theoretical contribution of Scott's (1995) institutional perspective to analyses the pattern of IHRM practices in foreign subsidiaries of MNEs headquartered in the UAE. Further, we seek to examine the conditions in the home country of these MNEs under which IHRM practices are more likely to emerge. We are also interested to understand the extent to which the host country institutional environment influence and shape decision-making in the corporate headquarter. Hence, by pursuing this approach, this work enhances our understanding of the role of the institutional context in the development of IHRM practices in an emerging market setting.

The next section reviews key strands of the existing literature on institutionalism and IHRM, followed by a discussion on the institutional environment of MNEs in the emerging economy of the UAE. We then discuss the interplay between institutions and IHRM in the UAE with a particular focus on the integrative strategic IHRM (SIHRM) framework proposed by De Cieri and Dowling (2012). The latter would provide a platform to understanding the particular features of the institutional setting under investigation. This is followed by our methods and the results of our empirical work. Finally, we move on to draw our conclusions, discuss their broad relevance and draw out the implications for practice.

Literature Review

Institutional Perspective and IHRM

The idea that organizations are embedded in a wider institutional environment suggest that organizational practices are often either a direct reflection of, or responses to rules, and structures existing into their wider environment (Paauwe and Boslie, 2003). Drawing on the work of Berger and Luckmann (1967), institutionalization is identified as a core process in the creation and perpetuation of enduring social groups. Moreover, institutional arguments rely not on aggregation of pattern of individual action but on institutions that structure action (Clemens and Cook, 1999; Amenta and Ramsey, 2010). The basic similarity in all institutional theoretical claims is that factors identified at the higher level are critical to explain processes and outcomes at the lower level of analysis (Clemens and Cook, 1999). Yet, institutional approach tends to focus on different sorts of higher-order determinants and differ in how much they casually matter (Powell and DiMaggio, 1991). In this respect, Savage and Williams (2008) discuss the formation of elites and its relations to social and political power.

However, research on elites (Savage and Williams, 2008) might offer interesting perspectives to analyse the mechanism to which they attribute political stability and the organizational structure through which these mechanisms exert influence (Meyer and Rowan 1977; Meyer, 2000). In general, institutionalism holds that institutions are not typically created for functional reasons and calls for research to trace the process behind the creation and persistence of institutions and policies (Barley and Tolbert, 1997). Moreover, institutions are often implicated in both the explanation and the phenomenon what is to be explained (Amenta and Ramsey, 2010). The basis for the argument is that most institutions operate under social influences and pressures to adopt the practices that are appropriate for their environments. Beyond this point, Stinchcombe (2001) develops an argument, imagining that actors and perhaps some mediators struggle to work on general institutional rules that reflect local power and interesting circumstances but also consider functional requirements of the given context.

Moreover, Meyer (2007) views institutional approach as a great success because it helps us to understand the impact of environmental models on structures and programs of organizational actors in modern systems. From this viewpoint, institutional theory postulates that decisions made by firms are not only the result of rational decision-making processes aiming at

maximising effectiveness, but also that they are influenced by the institutional context in which they operate (see e.g., DiMaggio and Powell 1983; Kostova, 1999). Meyer and Rowan (1977) characterised organisations as institutionally formed entities which must, in order to ensure survival, comply with the rationalised and institutionalised expectations of their environment and adopt expected structures and management practices. In the same baseline, Scott (1995) defined institutions as regulative, normative and cognitive structures and activities that provide stability and meaning to social behaviour. In this view, MNEs try to achieve legitimacy and consistency in their HRM practices to suit the local cultural, societal and legislative environment and at the same time attain goals in the host countries (Kamoche, Siebers, Mamman and Newenham-Kahindi, 2015).

More recently, considerable attention has been given to the impact of institutions on international business and the way in which key IHRM practices are still embedded in the respective institutional environments (Sparrow, 2012). There has been an increasing interest in understanding the effects of institutions on people management and employment relations, applying frameworks of institutional analysis to explaining variations in the nature and practice of people management (Wilkinson and Wood 2012; Wilkinson, Wood and Deeg, 2014). The comparative employment relations and HRM literature on mature developed economies has more often used institutional frameworks than it has been in the case in emerging markets (Thite, Budhwar and Wilkinson, 2014). However, more recently there has been increasing interest in expanding the range of categorisations of national institutional archetypes to encompass emerging markets, and in deploying newly developed frameworks to compare differences in HRM practice in such settings (Wood and Frynas, 2006). Moreover, as outlined by Horwitz, Budhwar and Morley (2015), the development of appropriate HRM practices and policies is more critical for organisations in emerging markets than ever.

However, despite the wealth of literature on different institutional views and approaches, in–depth case study or follow ups that would more specifically trace policy convergence to the influence of pervasive norms and schemas contradicts broad statistical association – are absent (Finnmore, 1996). This argument is particularly true in the context of institutionalism in emerging economies of the Gulf region. The rich literature on institutionalism has been mostly developed in the context of Western developed economies (Whitely, 1994). However, as Meyer and Peng (2005; 2015) note, institutional approach offers the highest degree of novelty in this highly unusual and novel context.

Additionally, despite growing interest in connecting IHRM practices of MNEs to institutional factors, MNEs in non-Western contexts, particularly in the Arab Gulf region, have not yet received sufficient attention. Furthermore, theoretical constructs and conceptual models, such as the integrative framework for SIHRM (Schuler et al., 1993; De Cieri and Dowling, 2012), do not consider the peculiarities of economies in transition. With regard to the growing role of MNEs located in Arabian Gulf states, we aim first to draw a picture of the characteristics of these MNEs, which is a necessary condition for further understanding their IHRM practices.

Institutionalism and IHRM in the Arab Gulf Region

As the other GCC countries, the UAE is a member of the Organisation of Petroleum Exporting Countries (OPEC), and about 40% of the country's gross domestic product is based directly on oil and gas output (World Bank, 2012). In the specific case of the UAE, the discovery of oil and gas has helped the country to become a modern state with a high standard of living. Over the last few decades, the UAE has applied an economic developmental model that strongly emphasises market liberalism and economic openness, embracing globalisation while at the same time refraining from challenging the traditional neo-patrimonial leadership structure in the country. As such, the UAE's economic model has thus far distinctly differed from those applied in other GCC countries (Hvidt, 2009b). Despite the wealth generated by oil income, Karl (1999) argues that the larger proportion of Arab states, including Iraq and Saudi Arabia, face remarkable crises. In this context, he refers to over-centralised political power, strong networks of complicity between public and private sector actors, uneven mineral-based development subsidised by oil rents, the replacement of domestic tax revenues and other sources of income earned through petrodollars (Karl, 1999). To overcome what Karl (1999) calls the "paradox of plenty", an emphasis on trade and commerce is a major feature of government efforts to ensure further developmental process and to diversify the economic foundations of these countries. This strategic agenda is crucial to preparing the economic system for a knowledge-based economy. Due to their financial capacity, GCC-based MNEs are welcomed as investors in countries around the globe. For instance, the investment portfolio of the state-owned company Mubadala (UAE) covers the USA, Europe, Africa and Asia (Mubadala, 2014), while the most recent investment made by the Qatar Investment Authority was in Germany's Deutsche Bank to the tune of $2.4 billion, which reflects the financial power and international strategies of the GCC states. This trend is

particularly observable in the airline, hospitality, telecommunication, construction, real estate and banking sectors (Raphaeli and Gersten, 2008).

In other words, since the 1990s the global competitive landscape has become populated by MNEs originating in countries that are not among the most advanced economies in the world but are instead emerging and developing countries (Guillén and García-Canal, 2009; Wilkinson et al., 2014). The literature refers to them in a variety of ways, including "third-world MNE" (Wells, 1983), "latecomer firms" (Mathews, 2002) or "emerging-market MNE (EMNE)" (Luo and Tung, 2007). According to Guillén and García-Canal (2009), several features differentiate MNEs in emerging markets from the more traditional entities located in North America, continental Europe or Japan.

Insert Table 1 around here

Following the differences outlined in Table 1, it can be assumed that the institutional environment of the MNE shapes IHRM decisions. More specifically, DiMaggio and Powell (1983) argue that organisations adopt different practices through three different processes of isomorphism: coercive, mimetic and normative. Scott (1995), from a slightly different point of view, refers to these processes as regulatory (coercive), cultural-cognitive (mimetic) and normative mechanisms. Regarding MNE practices and institutional logic, the regulatory dimension reflects existing laws, rules and regulations within a national environment that promotes a certain set of behaviours and restricts others. For instance, while the effect of governments on the decisions of MNEs in advanced economies is somewhat limited, large numbers of MNEs in the Arab Gulf States are owned by the government. In this case, the strategic vision of the government regulates the decisions of the MNEs at the highest level and thereby influences market mechanisms. Cultural-cognitive dimensions shape social life and constitute the frames through which meaning is assigned; for example, the dominance of tribal Islamic values shapes IHRM practices, such as international assignments. Finally, the normative dimension focuses primarily on the prescriptive, evaluative and obligatory aspects of social life. This dimension stresses shared values and norms, interpersonal expectations and valued identities(Javernick-Will and Scott, 2010).

However, values and norms are subject to the dynamics prevalent within such a setting and, considering the changing nature of transitioning economies, are also subject to change (Newman, 2000); also, despite vast similarities, it is unlikely that firms across emerging economies operate under the "same rules". For instance, in comparison to Asian emerging countries, the economic development of the Arab Gulf States has been based massively on oil and gas exports. Therefore, Gulf countries are not like other emerging countries, as sudden oil wealth helped these countries to advance their economies rapidly, acquire world-class capabilities and develop their governmental structures (Karl, 1999).However, some oil-rich countries, such as the UAE, understand the urgent need to diversify their economy in order to sustain progress in the future and invest in other industries, thus diversifying the economy and securing sustainable progress. Taking the opportunities and challenges of the Arab Gulf States together, their institutional environment can indeed be seen as distinct from that of most other emerging countries (Al Ariss, 2014).

Hence, the Emirati regulatory context for IHRM, comprising national laws and regulations that promote and restrict various sets of behaviours, has undergone dramatic changes. Due to the superior power of the government and respective ownership structures, rules and regulations are designed to support the economic and social development of the country. More specifically, "UAE Vision 2021" (www.vision2021.ae) emphasises the importance of the local workforce within the process of economic progress (Ministry of Cabinet Affairs, 2015). Therefore, MNEs have a mandate to ensure that Emiratis play a vital role in IHRM practices and policies (Emiratisation). Furthermore, in light of the strategy of the government to support the notion of a knowledge-based economy, knowledgeable and innovative Emiratis should strive to build a competitive and resilient economy (UAE, 2021).

In addition, the cultural-cognitive institutional environment of the UAE has been characterised by a strongly hierarchical structure, which is the result of a tribal-based society, Islamic values and the historical absence of Western IHRM concepts. In this respect, culture exerts a profound influence on HRM practices (Mellahi and Wood, 2010), and cultural values and societal attitudes in relation to management and work in GCC states are different from those found in other parts of the world (Al-Twaijiri, 1989; Yavas and Yasin, 1999), which is the outcome of socio-cultural values that are rooted deeply in Middle Eastern Islamic and tribal traditions, and in this vein the main HRM practices are shaped by guidelines set out by

Islam (Mellahi and Budhwar, 2010; Mellahi and Wood, 2001). The major contemporary cultural and social features of the UAE that have influenced HRM practices can be attributed to two main factors: the influence of religion and the influence of tribal family traditions. For instance, the reduction in working hours during the fasting month of Ramadan, employee entitlement to Haj leave (an annual Islamic pilgrimage to Mecca, and a mandatory religious duty for Muslims that must be performed at least once in their lifetime) and the physical separation of male and female employees are common relevant aspects of HRM. International assignments may challenge HR departments, though, in particular when female employees are sent abroad.

Hence, MNEs in the Middle East in general and the Gulf States and UAE in particular face serious challenges, and sometimes limited choices in the way they operate. This would also highlight the role of the *elite* in the Emirates given their relatively small size and strong power. Abbink and Salverda (2012) defined *elite* as a relatively small group within the societal hierarchy that accorded power, prestige, or command over others on the basis of a number of recognised criteria within a specific context. In fact, *elites* in the Arab world play a major role in influencing MNEs' activities. Empirical work and evidence on *elites* in the Middle East is indeed lacking. However, in the Arab world in general and the Gulf states in particular, MNEs' freedom, future directions, and the conditions essential for their success and growth are, to some extent, reliant on what this small group believe (see Truitt and Black, 1977; Ajami, 1980; Ali and Al-Shakhis, 1990). Thus, a tension between these states and MNEs still exists regardless of whatever economic progress those MNES can bring to these nations. This tension can be in relation to several issues such as national sovereignty, ambitions for economic growth, cultural and religious factors, pricing policies, political interference, conflict of interests between the two, and fears of oligopoly power of MNEs (Ali and Al-Shakhis, 1990). For instance, in Gulf states, the tension is mostly related to cultural and religious factors as MNEs' impact on social values and structure and other religious factors is hugely restricted; in fact, some even see them as threat to the nations' morals and traditions (see Aburdeen, 1981).

Additionally, regarding values and beliefs about human nature, the normative dimension has been addressed in several studies (Javernick-Will and Scott, 2010). Scholars emphasising normative elements stress the social embeddedness of political and economic behaviour

(Granovetter, 1985), and actors are not viewed primarily as rational calculators but as social persons who care deeply about their relations with others and adherence to the guidelines provided by their own identity (Scott, 2010). Formal and monetary incentives are tempered, if not superseded, by the reactions of others to one's choices, as well as by internalised commitments.

From this perspective, interpersonal relationships are critical to business success. More specifically, due to weak legal protection or the absence of large regulated markets, organisations in many emerging countries have to rely on such relationships in order to ensure access to critical resources (Peng and Luo, 2000; Hutchings and Weir, 2006). Accordingly, Meyer (2004) and Zheng (2011) argue that the growth of the internationalisation of emerging-market MNEs is not necessarily driven by greater internalisation, ownership and location advantage but by personalised exchanges, network growth, and mergers and acquisitions to overcome deficiencies in managerial competencies.

Economic growth, triggered by readily available public funds, encourages governments to invest in the education system and to support the development of the local population. Despite the effort of the UAE's government and the changing institutional environment, HRM in this regional setting is associated predominantly with administrative work (Mellahi and Wood, 2002). Moreover, limited international experience and institutional changes in the home country do not support the progress of IHRM practices. However, there is some interest in understanding the determinants of IHRM practices in such a setting.

However, scholars (see, e.g., Schuler et al., 1993; De Cieri and Dowling 2012) suggest a framework that takes into account the antecedents and consequences of IHRM at the organisational level. Despite continuous modifications and improvements to the framework (Schuler et al., 1993; De Cieri and Dowling, 1999; De Cieri and Dowling, 2012), the model remains deeply embedded in the Western context, similar to most conventional models and theories focusing exclusively on Western MNEs (Ferner and Edwards, 1995; Edwards and Clark, 2003; Morgan, 2009; Chang et al., 2009; Zheng, 2011). However, the framework proposed by De Cieri and Dowling (2012) serves in the present study as a template for understanding the concerns and challenges of IHRM in the Arab Gulf region. Figure 1 displays the framework.

Insert Figure 1 around here

With respect to the conceptual framework, we assume that institutional factors such as regulatory, cultural-cognitive and normative influence the organisational features and decisions of MNEs in the UAE. More specifically, decisions on global integration versus local responsiveness, structure, size, maturity, strategic direction and the international orientation is mainly shaped by the prevailing institutional factors of the home country. Furthermore, the conceptual model indicates the impact of the institutional and organisational forces on IHRM practices and policies such as staffing, training and development, and compensation management. As indicated in the model, institutional and organisational factors and established IHRM policies and practices affect the performance of MNEs. In return, however, the experiences of MNEs outside their headquarters influence organisational factors in their home country.

Methods

Given the exploratory nature of the study, we utilised a multiple case approach, using semi-structured in-depth interviews to gather data on IHRM practices of MNEs based in the UAE. As little is known about IHRM approaches in the regional context of Arab Gulf States, we believe the qualitative approach is an appropriate methodological choice for studying this phenomenon, as the openness of the qualitative method enables data collection that is not constrained by predetermined categories of analysis, and thus it allows for a level of depth and detail that quantitative methods cannot provide (Langley, 1999).

Sample and Data Collection

The data for this qualitative study were drawn from a random sample across all sectors in the UAE. With respect to our selection criteria, we identified firms headquartered in the UAE with significant level of international activity.

Furthermore, we were interested in including companies that operate different ownership structures in order to investigate whether variances in IHRM practices are attributable to this

variable – that is, state-owned, semi-governmental and private firms. In addition, we wished to include companies of different sizes and from various industries to assess whether size and industry influence IHRM choices. Moreover, we sought to include companies from different industries in an effort to increase the likelihood of data validity (for more details on sample description, see Table 2). The Chamber of Commerce provided us a list with firms established in the UAE. We approached 52 companies with some international operations. Having gained prior corporate approval, we made the interview questions available to be self-administered. Potential respondents were assured that participation was entirely voluntary and confidential. The final sample size included 26 interviews in 26 MNEs generated from 52 firms initially approached. Due to the cultural environment, face-to-face interviews dominated. In addition to data generated from the in-depth interviews, we revised provided documents on organisational strategies, and HRM policies and practices. Further, some interview partner shared with is some additional material such as strategic objectives which we revised in detail. Site visits provided further data for the study.

The interviews were conducted in English and lasted between one and two hours. Table 2 reflects our sample description.

Insert Table 2 around here

With the main aspects of the integrative framework in mind, questions were formulated with a strong focus on the impact of institutional conditions on IHRM policies and practices in MNEs. Five of the 26 interviewees refused permission to record their interviews, and so in these cases intensive notes were taken. The other 21 interviews were recorded and then transcribed. The data analysis (coding etc.) was done in English. Further, the methodological approach deployed was inductive; however, at a later stage of the analysis, recursive iteration between the literature and the emerging themes from the data was carried out. Data analysis was initially exploratory, broadly using the grounded approach of Strauss and Corbin (1997). With regard to coding the data, a coding scheme was developed, beginning with an initial set of several codes with definitions, grouped in categories. The researchers discussed the coding scheme several times with experts in the field. Based on these discussions, codes and definitions were clarified (Campbell, Quincy, Osserman and Pedersen, 2013).

Next, a cross-case comparison was conducted (Eisenhardt, 1989) by examining the similarities and differences between the themes emerging from the 32 MNEs. Each interview was treated as a case. The final stage involved iteration between the grounded data analysis and extant literature on national business systems explaining HRM, thereby enfolding the literature to aid the rigour and completeness of the analysis (Eisenhardt, 1989; Hallier and Forbes, 2004). While interviews with the HR managers served as a main source of information, we also relied on other sources such as government statements, company websites, media articles and newspapers, thus enabling the use of multiple sources to allow for data triangulation (Tashakkori and Teddlie, 2003).

Findings and Discussion

The results of our study are represented below. We have structured our findings according to the logic of the integrative SIHRM framework.

External Factors

As mentioned above, unlike in the original framework we view external differences via the dimensions of regulatory, cognitive-cultural and normative institutions.

Regulative dimension:

The role of the government in the UAE's development has been emphasised in the literature (Akoum, 2008; Forstenlechner and Rutledge, 2011; Hvidt, 2009b; Rees, Mamman and Bin Braik, 2007), and the national strategic vision is the ultimate guideline for firms based in the country: more specifically, the government displays an authoritarian role, a strong developmental vision, a lean and efficient state apparatus, active market interference, reliance on the market mechanism and a pragmatic approach to economic and social development.

In contrast to the traditional shareholder value perspectives of Western MNEs, close ties between the government and Emirati MNEs are supposed to ensure progress at the national level. In other words, shareholder satisfaction is not the primary goal of Emirati MNEs; rather, the focus is on the alignment of business practices to push the developmental agenda of the country. In one of the interviews, the interviewee pointed out that

Our international IHRM practices are streamlined with the vision of the leaders of our country. (Ahmed, company 3)

Furthermore, the financial, political and social support provided by the government strengthens the competitiveness of Emirati MNEs. In return, business policies and practices, particularly the HRM practices of MNEs, are aligned with strategic objectives. For instance, one of the obligations of these firms is to ensure the engagement of the local workforce. Our research revealed that regulatory institutional pressures have considerable impact on MNEs headquartered in the UAE. Thus, all HR managers reported that IHRM policies and practices are aligned with the UAE Vision 2021– that is, IHRM policies and practices are legitimised through alignment with the strategic objectives of the country. According to UAE Vision 2021, further development is the key priority, and therefore MNEs need to contribute to this goal by enhancing their global presence, supporting the strategy of diversifying the economy, creating additional revenue in foreign markets and ensuring knowledge transfer and learning. These findings can also be explained by the fact that the operations of MNEs in the UAE are to a great extent dependent on the composition and behaviour of the *elite* group and the government as to best protect their interests. This could be true as local managers often hold negative attitudes towards MNEs in general. For instance, prior work on the managers' attitude toward MNEs in the Gulf region indicated that Saudi managers believe that MNEs pose a serious threat to the nation's political independence, exercise political and economic pressure on the host government, create a certain culture at the expense of the national culture, exploit the natural resources, and further affect and contradict the local traditions, social values and Islamic principles of the host nation (Ali and Al-Shakhis, 1990). Therefore, MNEs have to be aware of such issues and find appropriate solutions to deal with local requirements. For instance, Forstenlechner and Mellahi (2011), in study conducted in the Emirates, argue that MNEs in this region see the government as the only source for legitimacy. They further argue that MNEs tend to employ locals not because of their suitability for the job, but for the sake of obtaining economic rents from government institutions. Hence, in the UAE, an effective approach is adopted to best align the interests of both, the government and/or *elites* and MNEs, as evidenced in our findings. On the one hand, the former works closely with MNEs as to further push the economic development in the country and further align both interests and goals. On the other hand, MNEs comply with all what required from their side (e.g., employing a certain percentage of locals; respecting local

traditions, values and Islamic principles) in order to succeed and maintain their operations and legal legitimacy (see ibid; Sidani and Al Ariss, 2014).

Cognitive-cultural dimension:

In this regional setting, the national culture of the UAE is influenced by Islamic values and norms (see, e.g., Budhwar and Mellahi, 2007; Mellahi andWood, 2002; Afiouni, Karam and El-Hajj, 2013). Additionally, Emirati traditions and history have significantly shaped business practices; however, due to its demographic location between East and West, the UAE, in particular the Dubai Emirate, has extensive experience in international business relationships. In other words, there has been always some exposure to foreign cultures.

In the context of IHRM practices, several features are specific to the UAE but have been overlooked in previous research. For instance, the identification of competent and willing employees for international assignments is a considerable challenge in the given cultural context because, as a result of collectivistic attitudes and values (Hofstede, 2007), local employees are less interested in relocating to foreign countries, since the family, which includes extended members sharing distant relationships, plays a critical role in Arab societies (Khalaf and Khalaf, 2008). One of the explanations as to why people devote so much attention to their family connections goes back to Ibn Khaldun (1332–1406), who uses the term "asabiya", which indicates group loyalty or cohesiveness (Ghanemi, 2006). In addition to societal structures that are grounded in the history of many Arab societies, Islamic laws and the social constructions of these laws tend to highlight the interdependence of family members (El-Hadi, 2000; Sidani and Thornberry, 2013). Accordingly, as our results indicate, it is a challenge to encourage Emirati employees, in particular female employees, to accept international assignments or to work to certain schedules catering for different time zones of operations outside the UAE. As highlighted in the interviews, management have to identify ways and methods to motivate the local workforce to become more engaged in international assignments. In this context, it has been reported that monetary incentives fall short. In one of the interviews, the manager described the challenge as follows:

> *Despite the great opportunities abroad, a large number of Emiratis refuse offers of international assignments. They cannot leave their parents or other members of the family on their own in the home country. (Maryam, company 13)*

Furthermore, female participation in international assignments is influenced by the concept of "muharam", a notion which refers to any male whom a woman cannot marry (i.e. father, brother or son). According to the words of the Prophet Mohammed, "A woman must not travel for three days except with a muharam, and a man must not enter upon her except if she has a muharam"(Al-Bukhari, no. 1763). As reported, it is likely that a local female employee will refuse to live and work in a foreign country due to religious and cultural constraints of this sort. For instance, in one of the cases, a female employee accepted an offer to work abroad for six months, but insisted on being accompanied by either her husband or her son; her reason was that she felt more comfortable while travelling with her muharam since that would mean she was acting according to Islamic values and norms. In another case, while working in a Western context, a female employee would not attend evening events and asked to schedule meetings only during the day and in public places. A female Emirati manager highlighted the difficulties in arranging the international assignments of female employees:

> *In the case of our talented local female employees, we face greater challenges. First, they have to seek the agreement of their families, before deciding to work in another country. Some of them are willing to go, but the company of their muharam is requested in some cases. (Muna, company 6)*

In summary, cognitive-cultural institutional pressures are critical to understanding the IHRM practices of MNEs headquartered in Middle Eastern Arab States. Again, this would also highlight how MNEs should understand and analyse the context-specific factors in terms of culture and other religious aspects as this would best serve in their interests and the also the interests of *elite* group. These issues should not be underestimated as our findings suggest that respecting local cultures, social values, and Islamic principles is a top priority and requirement for the *elite* group and the host government in such context.

Normative dimension:

With regard to normative institutional pressures, the individual values of nationals are closely correlated to their historical tribal structures and Islamic perspectives. However, the volatile environment of such an emerging market provides the platform for rapid changes within the value system. On the same baseline, Newman (2000) states, individuals in such a context face challenges in making strategic decisions, while the institutional context itself changes rapidly

and radically. The dilemma is that IHRM practices are organisational issues with long-term perspectives, albeit embedded in the conditions of emerging economies that exercise tremendous pressure on "fast track" development underpinned by a great deal of change.

As noted earlier, the effects of national culture and institutions on HRM practice across countries, or any comparisons made about HRM at any level – be it nationally or globally – have always been important in discussions (Peters and Heusinkveld, 2010), and these effects cannot be understated because many positives, such as increased job performance and lower turnover, can be garnered through implementing the correct HR strategies once this complex issue is understood. As the UAE is predominantly Muslim, the UAE's culture is expected to rank highly on Hofstede's (2001) power distance and uncertainty avoidance indices. Our results reflect this, as there is a tendency to respect superiors, which reflects the high power distance inherent in the UAE culture and therefore HR managers might be less likely to participate in higher-level strategic processes and more likely to accept decisions made by the CEO and top line management, contenting themselves with tasks that have been assigned to them, as this minimises conflict within their organisations.

This has also shaped the rewards and incentives system in the country. For instance, in the context of Emirati MNEs, the values of indigenous Emiratis are connected to those of the government. For example, governmental award programmes, such as the "Sheikh Mohammed Award", promote and reward appropriate behaviour. More specifically, if firms contribute to the development of the country, employees might be eligible to receive such an award. In contrast, inappropriate behaviour may result in exclusion from governmental contracts or other kinds of penalties such as the payment of fines. As reported by our interview partners, governmental recognition and other actions have a high impact on their decisions. In another case, it was reported that

> *We are blessed with our wise leadership. It is our primary obligation to listen and take actions according to the vision of our leaders. His Highness Sheikh Mohammed has always been concerned about the country and its people. We listen very carefully to his advice and try to take actions accordingly. In regard to managing employees, we are very keen to utilise international assignments to develop our local workforce. (Abdullah, company 17)*

Internal Organisational Factors

Following the integrative framework (De Cieri and Dowling, 2012), firm-specific factors (organisational factors) are influenced by external variables (see Figure 1). As demonstrated in the conceptual model, the following firm-specific factors may have a considerable impact on the IHRM practices of Emirati MNEs.

Global integration vs. local responsiveness:

One of the challenges facing MNEs concerns whether to standardise or locally adjust IHRM practices across the globe. However, the balancing of global integration and local responsiveness relates to the challenges MNEs face when operating in multiple business environments. In the context of global integration and locally adapted IHRM practices, they are faced with a paradox: on the one hand, they need to develop control and coordination mechanisms consistent with international best practices, while on the other hand they need to be responsive to national interests, which may nevertheless impede global best practices (Lawrence and Lorsch, 1967; Tayeb, 1998). In the case of Emirati MNEs, we adopt the analogy of the double-faced challenge (the Janus face)in developing IHRM practices (see, for the same phenomenon in Russian MNEs, Andreeva et al., 2014). Our findings indicate that Emirati MNEs adopt distinctive approaches to the implementation of IHRM in foreign subsidiaries. In this respect the adopted approach differs depending on whether the respective subsidiary is located in a developing or a developed country. Drawing on this analogy, the headquarters is supposed to have two heads that face in opposite directions: one looking to the future (developed countries) and one to the past (developing countries). In other words, HRM practices in developing countries are highly standardised and in developed countries they are modified according to the local institutions of the host country. This displays the so-called host-country effect (Ferner, Quintanilla and Varul, 2001). Given the economic transition of the UAE and its limited experience in managing MNEs, managers devote considerable attention to adapting to the practices of developed countries. Furthermore, laws and regulations in developed countries enforce HRM practice modifications according to their institutional environment. One of the interview partners described the approach to IHRM in developed and developing countries in this way:

Due to our limited international experiences, we are in the process of identifying whether to standardise or localise our IHRM practices. With respect to our accumulated experiences we found that our home-country-specific practices work well in similar markets to ours. … But we have learned to adjust our IHRM practices to the conditions of more developed markets such as Europe and USA. (Mohammed, company 9)

Size/structure/maturity:

As indicated in the integrative framework, size, structure and maturity are supposed to influence decisions with respect to IHRM practices (De Cieri and Dowling, 2012). Given the bureaucratic nature and wide usage of rules, norms and procedures in lager firms, it is held that the latter is more visible and more likely to comply with local requirements (Morris et al. 2004). On the other hand, smaller firms, with more flexible structures and procedures, would rely more on informal ties and relations between staff and managers given the shared understanding and common culture (see Bischoff and Wood 2012). Hence, it would be easier for governments to monitor large firms than smaller ones and accordingly ask them to comply with legal requirements and other employment issues (e.g. localisation policy). Thus, this could also mean that HRM practice in large firms is more likely to be affected and shaped by the institutional arrangements of the host government than smaller firms. However, in our study, we found supporting evidence indicating that these factors do not influence IHRM significantly; moreover, according to our results, size, ownership structure and maturity have no impact on the strategic direction of firms either. In this respect, strong and similar regulatory pressures result in similar practices and thus produce "isomorphisms"(DiMaggio and Powell, 1983; Scott, 1995; Kostova and Roth, 2002). In contrast to MNEs in the West, a large number of Emirati MNEs are either owned fully by the government or are semi-government-owned, as indicated in our interviews:

Our firm and many other businesses are government or semi-government entities. In this case, there is a direct impact of the strategic direction of the government. Some of the MNEs are managed by large, influential families. There are strong historical bonds between these few families and the royal family. In these cases, ruling family members are closely connected to these families. (Hussein, company 1)

Strategy:

As is well-documented in the international business (IB) literature, organisational strategy has substantial implications for the IHRM of MNEs (Boselie, Farndale and Paauwe, 2012; Boselie, Pauuwe and Jansen, 2001; Brewster, Croucher, Wood and Brookes, 2007; De Cieri and Dowling, 2012). Our findings reveal that rapid changes in the local environment lead to organisational upheaval (Newman, 2000), which in turn shapes the strategies of MNEs; for instance, laws and regulations such as labour law are subject to rapid changes in the UAE. The interviews indicate accordingly that HRM-relevant strategies are less defined and less focused on the long term:

> *In regard to the strategies of our business you have to consider that the history of our country is young. We have many ambitions and are willing to change the course, if required. Our firms may not be as mature as organisations in the West; however, we see here the advantage of being agile and quick to adapt to market changes. (Khalifa, company 14)*

With regard to strategic perspectives, another interview partner referred to the strategic directions of the government:

> *We are blessed with our wise and visionary leadership. It is our honour and mandate to streamline our strategic objectives to the vision of our government. (Amna, company 23)*

Headquarters' international orientation:

According to the integrative framework, the international orientation of a company's headquarters has several implications for IHRM policies and practices (De Cieri and Dowling, 2012). The data indicate that a lack of international experience limits the competitiveness of Emirati MNEs, and, despite the rich experience gained from employing an international workforce in their home country, they feel that they are lagging behind their competitors in developed countries. To compensate for this gap, headquarters aim to acquire knowledge and expertise by recruiting international experts to overcome this deficiency. One of the interviewees highlighted this concern in the following way:

Despite limited experiences in foreign countries, our performance is as competitive as our international competitors. Our firms have always been able to attract the brightest talents. This is a fast way of acquiring the required expertise. (Aisha, company 11)

HR Function

In this regional setting it has to be emphasised that Emiratisation is central to HRM. The employment market is characterised as important and special because the ratio of "nationals" to "expatriates" is among the most disproportionate in the world (Forstenlechner and Mellahi, 2011; Harry, 2007; Hvidt, 2009a, 2009b; Rees et al., 2007)– a point corroborated by the fact that fewer than 20% of UAE's total population are local citizens (Hvidt, 2007, 2009a). According to Al-Waqfi and Forstenlechner(2014), the situation is even more significant in the private sector, where nearly 99% of employees are expatriates. The benefits of such an international workforce, however, were pointed out by one of the interviewees:

We are used to working with a very international workforce at our headquarters. So it is not a challenge to deal with and manage people from different cultures and nationalities. However, we aim to reduce our reliance on expatriates by encouraging young Emiratis to work for us. (Ali, company 7)

In this respect, the majority of the managers interviewed highlighted the role of international assignments as critical to their contribution to the further development of Emiratis; that is, HR managers understand the value of international exposure to the career advancement of employees. Once again, since Emirati employees are the first choice in international staffing processes, this "development track" is accessible solely through citizenship:

Similar to our efforts in our home country we aim to make international assignments more attractive to our people. When we recruit for our subsidiaries, we make sure that we identify and attract Emiratis. (Khaled, company 13)

In another interview, the manager outlined the benefits of IHRM for local citizens as follows:

> *We truly believe that international assignments can be a good opportunity for Emiratis to push their careers forward. A lot of training is provided to prepare our people. (Saeed, company 2)*

Furthermore, our investigation uncovered several indicators influencing compensation practices for Emiratis in MNEs. First, the compensation packages of UAE citizens differ from those of non-citizens, evidenced by the fact that a large number of the firms examined attract local citizens for international assignments by doubling the compensation packages on offer. Nonetheless, the impact of these financial rewards is limited, due to the fact that many Emiratis are already wealthy and they may have priorities greater than financial ones, such as obligations to their families.

In respect of cultural factors influencing international careers, an interview partner highlighted the changes in society:

> *We observe an interesting development. In the past, it was very difficult to encourage female employees to accept international assignments. Nowadays, however, we have an increasing number of female colleagues willing to go and to work in another country. (Adel, company 25)*

As our study reveals, the compensation practices of non-citizens are adjusted to the local institutions of the host country. The manager of a large MNE described this situation as follows:

> *Our firm doubles the salary of any Emiratis willing and able to work in a foreign country. (Ibrahim, company 5)*

In another interview, the HR manager highlighted the monetary rewards of international assignment, but mentioned that,

> *Despite very lucrative packages, it is a challenging task to convince Emiratis to work abroad. (Munir, company 26)*

In contrast, host country nationals' (HCNs') pay packages are subject to the location of the subsidiary; for example, subsidiaries in developed countries pay according to the legal conditions of the country. In developing countries, standards are not well-defined, and laws and regulations are sketchier and more flexible; therefore, headquarters decide on compensation based on home country experiences, as explained in one interview:

> *Our compensation system is flexible, and many factors play a role. In our office in the UK we have to consider laws and regulations and the market price. In comparison to that experience, our employees in Morocco are paid based on our standards. (Haider, company 20)*

Another interviewee outlined the preferences of the local workforce for an Emirati MNE:

> *We made the experience that we are a very welcomed employer. In some cases local employees approach us to be transferred to the head office. (Eissa, company 22)*

MNE Performance

With reference to our findings, the interviews resulted in a different understanding of the performance of Emirati MNEs from that discussed in the integrative framework provided by De Cieri and Dowling (2012), because answers to questions on financial and social performance and enterprise resilience provided insights into which outcomes are critical to those MNEs examined in the UAE.

Our findings show that internationalisation is critical to the learning process of MNEs in the UAE. The aim of firms in the Arab Gulf state context is to transmit learning through institutionalised organisational practices, the importance of which is emphasised across the cases. For example, in one of the meetings, the interviewee underscored the importance of learning as follows:

> *One of our major goals is to learn from the practices of more developed countries. We are eager to learn and improve our ways of doing business. (Mohammed, company 12)*

Knowledge and learning are not the only factors critical to success in host countries, as the transfer of knowledge supports the path of development in the home country as well. Unlike Western MNEs, the Arab Gulf state MNEs' first targets in our study do not include global competitiveness or efficient and effective resource allocation – the first goal of internationalisation is to fill the knowledge gap. However, the dynamic environment in the home country can be of value to IHRM practices and policies, as mentioned by one of the interviewees:

> *Rapid change and growth in our home country have taught us many useful lessons. Subsidiaries in other countries can learn from our experiences. (Muna, company 6)*

Furthermore, one of the interviewees stated that the recruitment of global talent and cooperation with the most sophisticated international consultancy firms provide a good means of support in understanding IHRM:

> *Managing talented individuals from different countries in our head office helps us to understand the different conditions in other countries. (Ahmed, company 13)*

As a result, many best practices exist in the UAE and can be transmitted to developing and developed countries. However, our results show that strong institutions in developed countries require some form of modification of typical UAE IHRM practices.

We found strong support for the further expansion targets of Emirati MNEs. Aligned with the strategic goals of the government, international expansion is crucial to building a global presence, competing in the global market and preparing the country for the time when oil and gas revenues diminish. From this point of view, the support of the government is seen as a critical element in the international success of MNEs. One interview partner articulated it in this way:

> *We are confident that we are able to compete with globally operating firms. Our government supports international expansion in several ways. (Omair, company 9)*

Insert Table 3 around here

Overall, as discussed in the previous section, several factors, such as the role of the government, Emiratisation and the dynamics of emerging Arab Gulf States, lead to new insights into the challenges and opportunities facing these MNEs, and these new perspectives are particularly apparent in the context of MNE performance.

Conclusion

The paper commenced by arguing that distinctive institutions in Arab Gulf States such as the UAE have been overlooked in previous research on IHRM. To consider MNEs headquartered in the Gulf States here provides an integrative framework for the study of the IHRM in the 21st century and a potentially rich research agenda. This agenda can be considered within the study of context and content of the IHRM. Starting with context, there is a need for a fuller exploration of the core assumptions informing the need for a different analytical approach to study IHRM. Although the institutional perspective is pertinent in theoretical discussion, this article underlines the need to pay increased attention to areas beyond Western countries and large emerging economies. Our study indicates that IHRM in the investigated Arab Gulf state's MNEs are influenced by Western practices, but at the same time they are shaped by the institutional features of the UAE. A core notion in the literature on comparative capitalism states that no firm-level HR practices can be widely adopted across different contexts regardless of the institutional arrangements (see Hancke et al., 2007; Whitley, 1999; Singh, Darwish, Wood and Mohamed, 2016). Our results provide further evidence for this central theme and further reflect the extent that uneven and loosely coupled institutional arrangements – a common feature of petroleum-growth regimes – mean that complementary sets of rules and bundles of HR practices found in mature markets are less likely (see Singh et al., 2016; Darwish, Singh and Wood 2015). Unlike MNEs in other institutional settings, MNEs in the UAE are driven by the motivation to overcome the dilemma of relying on non-replenishable resources. These MNEs are characterised by limited international expertise, though they do consist of a high level of flexibility and strong financial backup. Furthermore, embedded in rapidly changing institutions, MNEs learn to manage international business from uncertain and rapidly changing institutions at home. This experience is critical to combating uncertainty in the global market; however, rapid institutional changes in the home

country impede international learning experiences. We argued further that certain peculiarities in Arab Gulf States are not considered in the integrative framework, and we delivered empirical evidence for contextualising this contract. To the extent that these institutional differences exist, does this reflect a broad cultural trend and to what extent are IHRM policies and practices helping to promote this? Turning to the content, research needs to explore how IHRM emerge and to what extent they are standardised or localized. In this context, which elements, for example the more standardized and localized?

In addition, our findings suggest that *elite* theory has important implications for MNEs and HRM this region. It is in fact essential for MNEs to fully understand the interests of the *elites* in this particular nation in order to achieve their objectives. MNEs operating in the wider Middle East region and UAE in particular should conduct a thorough analysis and understating of the economic, political, and cultural concerns of the Emirates. This issue is not an easy one as it involves a clash of cultures and differences in perceptions (Ali and Al-Shakhis, 1990); hence, it remains a significant challenge for MNEs operating in this region. Existing MNEs could learn useful lessons by identifying the area of potential clash of interests and attempt to avoid it in order to maintain and expand their operations. Furthermore, given the significant role of the government and *elites* in this region and how they can affect MNEs operations and shape their HRM model, it could also be practical for MNEs to employ locals who are capable to understand the language and the interests of such groups and further respond using the appropriate strategies (see Forstenlechner and Mellahi, 2011).

In summary, we identified change dynamics and organisational upheaval, which led us to believe that, while there is indeed a "best IHRM practices" trajectory in place, openness and flexibility also enable HR managers in head offices to develop, restructure and change IHRM activities rapidly. In this quest, we are most concerned about the long-term impact of the IHRM of MNEs with short-term perspectives on rapidly changing institutions. In addition, IHRM practices are built upon fragile, interdependent and uncertain conditions, and they are not grounded in the sort of deep foundations prevalent in most developed countries. Furthermore, the ways in which IHRM issues such as Emiratisation are linked to the IHRM practices of subsidiaries may reduce the likelihood of the subsidiary surviving. Therefore, we suggest that mixed institutions are likely to be more useful for change and innovation and more resilient than those that produce isomorphic characteristics (see Crouch, 2005).

Despite our contribution to understanding IHRM in an underexplored context, the study suffers from several limitations. First, our sample includes a limited number of MNEs, and so a larger sample may improve the robustness of our findings. Second, we interviewed HR managers in company head offices, so additional data from subsidiaries may diversify our results. Third, research that includes other countries in the region may differentiate our findings further. Arising from our approach, we encourage scholars to devote more attention to the uniqueness of MNEs in this part of the world. In order to pursue the issue, however, it is necessary to produce more systematic research on MNEs in Arab Gulf States. This article concentrated on the UAE, so future research may test our findings in the context of other Arab Gulf States in the region.

Implications for Practice

At an applied level, IHRM plays a supporting role in executing governmental strategies. Developing strategic IHRM might be part of the solution to the prevailing challenges Emirati MNEs face, and it might serve to increase the number of learning opportunities and further strategic targets. However, extensive use of strategic IHRM might increase managers' perceptions of the relevance of IHRM in a context in which HR is still evolving. If the prevailing assumption in such an institutional setting is that IHRM is influenced by national strategic needs and international blueprints, it is difficult to imagine that IHRM will possess the capacity to support MNEs in realising their strategic potential. Of course, this may be seen (as it was by some respondents) as an opportunity for IHRM; however, even if the role of IHRM is more strategic, the amount of learning required for IHRM to achieve strategic status, and the changes within such a setting, are likely to yield further unexpected challenges. In contexts where institutional arrangements are still developing, MNEs are more likely to be subject to the unpredictability of commodity markets, technologies and environmental issues (see Hancke et al., 2007; Wood and Lane, 2012), making the strategic choices open to firms more important. Hence, the management of people is one area in which firms can make a real impact in the face of an unpredictable external environment such as that of the UAE (see Storey, 2007).

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