Managing the global, the local and the unknown: international human resource management

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Principal and Vice-Chancellor, Honoured guests, Colleagues, Ladies and Gentlemen, Good evening.

INTRODUCTION

Ladies and gentlemen I am very conscious of addressing an audience with different interests and backgrounds and I will try to strike a helpful balance between these interests by examining the subject of international human resource management more from a macro rather than from a micro-level perspective. I have divided this lecture into five parts.

In part one, International Human Resource Management: the concept, I will try to explain how international human resource management has emerged as a subject for study and research, and then discuss the meaning of the concept, by offering my own version of the explanation. Colleagues and other scholars may have different interpretations, of course, providing a good start for a healthy debate.

In part two, International Human Resource Management: the theoretical framework, I will take the definition of the concept further by exploring the theoretical aspects of the context in which international human resource management can be implemented as a process of managing the global, the local and the unknown. I will explain how the global integration of business and management practices (the globalising power of business) has led to the widespread 'forward' diffusion of Anglo-American and European management theories and practices to the local workforces in different countries, and how the need for local responsiveness (the localising power of national norms and values) have led to need for the employment and management of global employees to act and think locally while operating globally, encouraging 'reverse' diffusion of management best practice.

In part three, International Human Resource Management: the application, I will provide further evidence for the theoretical framework explained in part two by examining the management of human resources in China and in the Arab world. Both, China and the Arab world, have been confronted with globalising powers of business, to a great extent, in similar ways but the management approaches that have been developed in response to global integration are very different. In China, high levels of state control over all aspects of organisational behaviour and cautious response to Western diffusion of management knowledge has been reinforced by tacit socialist norms of solidarity, equality, mutual assistance, honesty, friendship, and absolute compliance with the law, have all contributed to the development of a management system with 'Chinese characteristics'. By contrast Arab countries display examples of where management practices have been imported with little change from the home country because it is believed by many Arab politicians and business people that bringing Anglo-American and European style of management systems to their organizations will result in improving international relations and trade with the Arabs. However, the importing of such practices has very often led to unsuccessful managerial experiences and created many contradictions and problems at the organizational level especially in human resource management.

In part four, International Human Resource Management: the implication, I will examine the role of MNCs as employers of international managers and the role of further and higher education as producers of potential managers in developing cross-cultural managers. I will emphasize here the requirements of a globalising power of knowledge rather than business, politics or culture.

Finally, in part five, International Human Resource Management: the conclusion, I will conclude by stressing the importance of being aware of the two conflicting forces of global integration and local responsiveness in international human resource management. It will argue that the implementation of a credible system of international human resource management requires a forward diffusion process that is meet with equal acceptance of reverse diffusion and the same as local employees have to be managed globally, global managers have to be managed locally, creasing a balance between the globalising power of business and localising power of national norms and values.

I hope that this lecture will provide an understanding of the principles that underpin the practice of international human resource management that will be of interest to both academics and practitioners.

1. INTERNATIONAL HRM: THE CONCEPT

Only twenty-five years ago, very few academics and managers would have heard of international human resource management. There were no books and no courses on the subject, and it was given very little attention by economists, political analysts and international business scholars. Today it is a well-established subject that is taught in universities, practiced by managers and hundreds of books and articles have been written. How has it emerged and what is it?

1.1. The Emergence of International HRM

International human resource management (IHRM) has emerged in recent years as a significant field of academic research and study as a result of a number of triggers, drivers and whistle blowers.

1.1.1. The Triggers

The triggers are the factors and events that draw the attention of international employers to the importance of managing their employees differently from the way they did at home. They made them more interested in the role of human resource managers in creating added value and competitive advantage while expanding investments worldwide. Among these triggers are: Failures of expatriates to complete their assignments abroad; the economic recession of the 1980s; the rise and successes of South East Asian countries; the openness of China and later India to the West; the end of the Cold War and the 'Westernization' of Eastern Europe.

Expatriates' failure to achieve their assignments

As multinational companies (MNCs) increase their foreign investments it became more and more important to use expatriates to help sustain their growth. The role of an expatriate is to transfer know-how, to control operations and to develop expertise of working in different countries. However, by the beginning of the 1980s it became obvious that expatriation had not been easy for many managers and experts. Many expatriates found it difficult to complete their assignments. There have been many studies which reported that as many as 70 percent of USA companies' expatriates did not complete their assignments (Bartlett and Ghoshal, 1989; Evans et al., 1989; Adler, 1991; Deresky, 2001; McDonald and Burton, 2002). Multinational companies started to feel the high costs incurred by the failure of their expatriates to complete their foreign assignments. It became very important for the success of their foreign investment to pay great attention at issues like the adjustment and the training of expatriates in order to help them adjust to the new environment. Many reasons have been given to the failure of such assignments such as the inability of the spouse to live in a foreign country, homesickness, culture shock and the hardships of different climates. These are the symptoms of a problem which is the lack of international human resource management. Expatriate failure continues to be a significant problem for many MNCs because of their inability to understand the complexity and importance of managing people in different countries. Organizations operating in different countries have had to reconsider their recruitment, training and expatriation policies. The cost and benefits of recruiting local rather than using international managers have become a strategic international HRM policy decisions.

Economic recession of the 1980s

The economic recession of the 1980s resulted in plant closures, mass redundancies and a sharp decline in international investments in the USA and Western Europe as MNCs shifted their production plants to less developed countries where labour was cheaper and more motivated. Many companies had to invest in countries that they have never been in before. Plants were opened in Asian and Middle Eastern countries but multinational employers very soon realised that they had to operate differently from what they had been used to and to introduce systems that are more appropriate to the new cultural and political context. Many US and British companies started to expand internationally by shifting investments from one country to another, taking advantage of increased economies of scale and scope, and producing for different markets overseas in order to increase their profit margins. They benefit by shifting production from one country to another in search for cheaper resources and better investment opportunities. Hence, in doing so they have had to introduce international approaches to the employment, training, appraisal and reward of their increasingly nationally diverse workforces.

The rise and successes of Capitalism in South East Asia (Miracles after Japan)
The emergence and effect of Japan as a major industrialised nation in the late 1970s, followed by other upcoming countries of South East Asia like Taiwan, South Korea and Hong Kong generated attempts to explain the causes of their apparently surprising successes (Whitley, 1992; Chan, 1995; Tang and Ward, 2003; Jackson and Tomioka, 2004). The success of Japanese companies was attributed to the management of their human resources and to the implementation of so-called new manufacturing systems such as quality circles, just-in-time management and total quality management, as well as to the commitment and loyalty of their employees. Many large employers in the USA and Western Europe adopted the so-called Japanese production practices and employee relations policies with the aim of gaining competitive advantage with the Japanese companies that had emerged as amongst America's toughest competitors (White and Trevor, 1983; Wickens, 1987; Florida and Kenney, 1991). The success of Japanese management led not just to the export of high quality goods from Japan but to the export of work organization and management methods that Western managers were eager to test out in their attempts to survive in times of economic recession and fierce competitive pressures. As the US industries were regarded as in decline many international employers from the USA and Western Europe started to follow the Japanese in their manufacturing and management systems, and to increase their investments in more stable and economically successful countries such as Hong Kong, Taiwan, Singapore, Thailand, Malaysia, and South Korea. This move required the recruitment and development of employees who were inspired by and able to cope with the work ethics of Asian people.

The openness of China and later India to the West
In late 1978 the Chinese government announced its open-door policy and begun economic reforms aimed at moving the country from a centrally planned to a socialist market economy. The People's Republic of China became an increasingly important destination for foreign direct investment (Child and Lu, 1990; Child, 1991, 1994; Brown and Porter, 1996; Warner, 1995; 2003). As soon as China began to reduce trade restrictions, many foreign companies leapt at the opportunity to establish a presence in the world's largest market. The growing openness of China to the West further increased capitalist investment and the need for more international capitalist approach to management theory and practice. The last two decades of economic reforms have seen foreign multinationals expand their operations to China, bringing about considerations of how to manage human resources in a controlled, socialist and yet fast-growing economy. The case of China will be discussed in more detail in Part three of this lecture.

Also, India has since the early 1990s embarked upon major economic reforms that have made it increasingly becoming one of the largest stable economies in the world. Economic reforms that are aimed at liberalizing the economy have attracted an increasing number of foreign firms investing and benefiting from the surpluses of formally educated and skilled people that are available in India. The recent move of some multinational companies' call centres to India is an example of benefiting from an international labour market.

The end of the Cold War and the 'Westernization' of Eastern Europe

The end of the so-called Cold War following the collapse of the Communist block, the destruction of the Soviet Union and to the unification of Germany, have led to a gradual 'Westernization' of Eastern European countries. All such developments have brought about more opportunities for multinational companies to expand their investments in Eastern Europe and the former Soviet Union. The shift has been from military to economic competition as the former communist countries were forced to restructure their political and economic systems towards more liberal market economies. The transformation process has been conducted through widespread privatisation, deregulation and foreign direct investment. The end of the Cold War discourse signified a shift in policies, law and action in international trade as well as the organization and movement of international labour. Many enterprises in 'ex-socialist' countries have faced the need to implement economic reforms and to use Western ideas of free enterprise management. Polish, Hungarian and Czech companies, for example, no longer operate within the framework of national economic plans, resorting instead to contingency corporate strategic plans where they make their own investment decisions according to their organizational performance factors, raise their own finance and are constrained by international competitive pressures in their daily operations. This 'Westernization' process required the transfer of market-related skills and management knowledge as well as investment from the Western European countries but at the same time required Western and international organisations (including those from Japan and South Korea) to understand local operations and to introduce locally responsive employment practices.

1.1.2. The drivers

The drivers towards the emergence and development of international human resource management are those factors which resulted from or contributed to the triggers stated above. As drivers they continue to exist and without them there will be no or limited international management or international business. The main drivers are: the growth and spread of multinational companies; international competition; regional economic integration; technical changes and international mobility of information; open trading and availability of financial services; political and cultural influences; internationalisation of Western management education; and the liberalization and democratisation of less developed countries.

The growth and spread of multinational companies

The presence of multinational companies (MNCs) or transnational companies (TNCs) in the international scene is not new but the rate by which they have developed since the 1970s has been extraordinary. Rapid increases in international activity have involved high levels of mergers and acquisitions, takeovers and joint ventures. Increasing customer pursuits for higher living standards and the ongoing industrial development have sparked a growth in organizations producing more goods and providing more services. However the growth in the number of multinational companies has created more competition between them. Therefore, to achieve competitive advantage in international business more and more MNCs have increasingly recognised human resource management as a major influence on success or failure in international business. MNCs have to develop appropriate human resource strategies for attracting, recruiting and retaining local and international employees. As the number of MNCs increases the need for internationallyminded managerial, professional and technical staff becomes greater and more attention has to be given to the way by which employees are employed, rewarded, trained and motivated to work effectively in different countries. Also as the number of organisations operating internationally increases, the management of human resources becomes complex and critical for gaining and sustaining competitive advantage.

International Competition

Many organizations have become similar in their distribution channels, technical standards and marketing approaches, products and production methods, giving customers similar choices worldwide. Consumers from different countries are becoming increasingly aware of and are demanding products and services that are labelled world class. Local as well as international companies are being forced to compete on world-class standards to increase their chances of survival in uncertain business environments. Competitive successes or failures in the global market are strongly influenced by the quality of organizations' workforces. Well-trained, skilled and innovative employees often make the difference between equal producers in a market where the same means of production are easily available. It is possible for almost any multinational organization to acquire the necessary technology and capital, at a cost, but in many cases 'it is rather difficult to acquire a ready pool of highly qualified and highly motivated employees' (Sparrow, Schuler and Jackson, 1994: 269). Also, the introduction of new manufacturing systems that are based on sophisticated automation have made direct labour cost for many organization a small proportion of the overall cost of production, but it is the quality of employees that are being accessed to operate and innovate new systems and technologies that creates competitive advantage. Competition in international markets incites businesses to globalise (Svensson, 2001) and to develop through international human resource strategies employees who can make the difference in races for market success.

Regional economic integration

Regional economic integration is a trigger and a driver towards the emergence and development of international human resource management. It has been a continuous phenomenon, at least since the late 1940s. Trade between many countries has been made easier by multinational (bilateral and multilateral) agreements, the creation of regional economic treaties such as the European Union (EU), the North American Free Trade Area (NAFTA) and the Association of South East Asian Nations (ASEAN), and the involvement of international agencies such as the World Bank and the Asian Development Bank. For example, the European Union, with its Single Market, has resulted in the removal of national trade barriers, import restrictions, and restrictions on the mobility of capital, goods, services and labour. The economic integration and the commonality of regulations as well as the equalisation of taxes is a further example, certainly on a regional basis, of the development of common approaches to business and employment practice. The free movement of labour created more demands for organizations to adopt regional and international human resource policies for recruitment and selection, training and development, rewards and employee relations. In the European Union, common economic objectives have very often led to the adoption of similar employment policies. The Social Charter covers crucial elements of employee relations such as the improvement of living and working conditions, the right to freedom of movement, the right to a fair wage, the right to social protection, the right to freedom of association and collective bargaining, the right to vocational training, the equal treatment of men and women, the right to information and worker participation, and health and safety protection at work. Such regional integration has made it more possible for many employers to access a wider pool of employees but they have had to reconsider their employment policies and practices to respond to the needs of different employees and customers.

Technical changes and the international mobility of information
Technical changes have led to the introduction of more productive and flexible working arrangements. The use of electronic control systems has made production and distribution more efficient and sophisticated, and often cheaper. The advent of the Internet has facilitated growth of international trade. Developments and innovations in transport and communications technologies have made it easier for goods, people and services to move from one country to another despite the continued existence of entry barriers between some countries. Electronic mailing and information systems and the computerization of flight and shipping services are only some examples of today's developments in information technologies. The international mobility of information has been created by the integration of data processing and telecommunications networks on a global scale. Information can flow easily across borders, making geographical barriers less relevant and reducing the cost of travelling significantly. As information can be transferred quickly rapid innovations can be created in different countries, reducing lead times and product life cycles and increasing competition and co-operation between firms. Customers learn more about the goods they consume and manufacturer are better informed about the needs of their customers. The introduction of Internet banking and the setting up of online businesses have opened up more opportunities for MNCs to employ widely diverse employees in different locations. The move of some British companies to set up call centres in India is a typical example of how MNCs are benefiting from the skills of worldwide workforces. The development in information-based technologies have great effects on the management of human resources, notably the functions of recruitment and selection, training and development, as well as the introduction of flexible working methods and the reduction of expatriate failure as many expatriates overcome the problems of isolation through the use of information technology. Hence, advances in information and communication technologies have opened up many kinds of information flow that give global access to professional and management knowledge and talent.

Open trading and availability of financial services
Open trading between countries and instant availability of financial services has facilitated global economic integration of capital markets. With the deregulation of financial services for international trade, it has become easier, faster and safer for companies to operate on the global scale. Many companies are no longer limited to capital sources within closed national boundaries. The global integration of national capital markets has led to free flows of funds and easier investments between countries. Information technology has facilitated international capital flows and financial services to even more individual customers, suppliers and producers. Credit and debit card payments

have led to virtual customers and virtual suppliers of worldwide products and services. These have, however, necessitated the employment of responsive and responsible employees who act locally but think globally, requiring the emergence and development of international human resource management.

Political and cultural influences

Economic and political dependence of many less developed countries on the USA and western European countries has led to the transfer of Anglo-American and European technology, education, products, art works, and management. Cultural influences are evident throughout the world and are embedded in many of our daily encounters, from the things we see and hear to those we consume in and outside our houses. In less developed countries Western products are preferred even when they are of poorer quality than those produced nationally because of perceptions of western progress, modernisation and superiority. The role of the international media in advertising and promoting western values cannot be underestimated. The presence of multinational companies' brand products in most parts of the world is an indication of local acceptance of their products even if alternatives to those products are widely acceptable. Evidence of this will be discussed in the examples of China and the Arab world in part three of this lecture.

Internationalization of Western management education

Just look at the composition of an MBA class in any Anglo-American university and you get the message of an ever-increasing globalisation of Western management education. More and more non-Westerners are exposed to Western management education either by attending courses at universities or by having to read textbooks written by Anglo-American and, to a lesser extent, European scholars. Education and political affiliations are the main drivers towards global integration as people are exposed to similar or the same knowledge and skills, get the same news and aspire to the same qualifications. There is a strong link between the 'text' or literature and imperialism as was evidenced by Edward Said (1993). Whether the text is poetry, a novel, fact or fiction, management or history it is likely to contain the feelings and aspirations of the people who wrote it. American management textbooks which rarely make references to non-American management experiences and practices are taught in universities, colleges and business schools throughout the world. It is true, to some extent, that most ideas about management and organizational behaviour were developed in the USA but there must be examples of good management practice from elsewhere that students of management can learn. It was not until the 1970s when some textbooks made reference to international management and international business, yet they still did so from an American perspective. One of the earlier textbooks is by Newman, Summer and Warren (1972) in which international management is seen as the American transfer of management know-how through its multinational companies and the focus is made on the American manager as the international manager. Newman, Summer and Warren (1972) produced a comparison between the American manager and the foreign manager portraying the superiority of the former as 'someone with drive and integrity who manages to achieve what he sets out to achieve, someone who is different from and, by implication, superior to those less fortunate enough to be born in another culture' (Mills and Hatfield, 1999: 51). Moreover, it was not until the 1970s that a very limited number of Western academics began to acknowledge the strengths of non-Anglo-American management such as Japanese management (Dore, 1973) and the management of continental Europe (Sorge, 1978).

Liberalization and democratisation of less developed countries
Many of the less developed countries have embarked on a number of economic and political reforms that were aimed at liberalising their economies and democratising their political systems. Examples of countries such as Ghana, Nigeria, South Africa, Kenya, Tanzania, Botswana, Tunisia, Egypt, Mexico, Brazil, and many others have attracted increasing amounts of multinational investment. Economic reforms have led to large-scale privatisations of state-owned companies. Many multinational companies have gained foreign assets and access to overseas markets through acquisitions and joint ventures. The growth and expansion in international investments in those emerging economies has led to a process of distributing a unified brand of international capitalism which is characterised by an Anglo-American corporate culture, production principles, trade laws, financial reporting and intellectual property rights. This process, however, can only strengthen a culture of capitalist consumerism and dependence on Western technology and investment, making international human resource management increasingly needed by MNCs investing in those countries where professional and management expertise is limited.

1.1.3. The whistle blowers
The whistle blowers are the scholars who were the first to alert themselves and others to the effects of the above triggers and attempted to study and theorize international human resource management as a field of inquiry. Most of them were very much concerned with the problems of employment and economic growth of western economies in the 1980s and early 1990s. They suggested models and frameworks for understanding the role of human resource management in a competitive and changing business environment. Although there have been many whistle blowers who sparked research interests in the field of human resource management I attempt in this lecture to refer to the main ones and those who contributed to the emergence of international human resource management as a subject for research and study. There are four main groups: 1) the Michigan Business School; 2) the Harvard Business School; 3) the Warwick University Centre for Corporate Strategy and Change; and 4) the Price Waterhouse/Cranfield School of Management.

The Michigan 'The Strategic Fit Model' (Tichy, Fombrun and Devanna, 1982; Fombrun, C.J., Tichy, N.M. and Devanna, M.A., 1984, Strategic Human Resource Management).

At the Michigan Business School, a group of academics (Tichy, Fombrun and Devanna) investigated the strategic aspects of HRM and argued that 'personnel policies and organization structures have to be managed in a way that is congruent with organizational strategy and that organizational effectiveness depends on there being a tight "fit" between human resources and business strategies' (Sparrow and Hiltrop, 1994: 8). They developed what is called the 'Strategic Fit Model' or the 'Matching Model of Strategic HRM'. The idea was taken further by Schuler and Jackson (1987) who, at the New York

Business School, used Porter's (1986) model of generic competitive strategies of innovation, quality improvement and cost reduction, and suggested a set of 'needed role behaviours', which varied across a number of dimensions for each strategy. After making assumptions about the personnel and industrial relations practices needed for effective strategy, they identified planning, staffing, appraising, remuneration and training and development as foci for a set of strategic HRM choices that human resource managers can make to endorse appropriate, effective and strategically credible employment practices. It should be noted here that Porter's (1986) value chain analysis considers human resource management as one of the main support activities for competitive advantage in a firm's international strategy.

The Harvard 'Multiple Stakeholders Model' (Beer, M., Spector, B., Lawrence, P.R., Quinn, M.D., and Walton, E.R. , 1984, Managing Human Assets)

At the Harvard Business School, where International Human Resource Management was taught as an MBA module for the first time in 1985 (Poole, 1990), Beer et al. (1984) developed the 'Multiple Stakeholders Model'. This model recognizes the importance of different stakeholders' interests such as the shareholders, management, employee groups, government, the community and trade unions. For an organization to achieve such desired outcomes as commitment, integration, quality, flexibility and cost-effectiveness the formation of four HRM policy areas, namely human resource flows, reward systems, employee influence and work systems, is required. As this model is much more pluralist than the Michigan model it has found greater acceptance in Europe (Poole, 1990; Hendry and Pettigrew, 1990), leading to further research interest in HRM in the UK where a number of models have been developed (see Guest, 1987; Legge, 1995, Storey, 1995). In launching the first issue of the International Journal of Human Resource Management in 1990, Michael Poole, the first Professor of International HRM in the UK, noted how several of the attributes of the Harvard Model 'reflect its North American origin' and suggested three necessary adjustments to make it more internationally relevant. These were: i) the development of international business; ii) the empowerment of the different stakeholders and actors involved in the process of managing people; and iii) the clarity of specific links between corporate and human resource strategies (see Poole, 1990: 3).

The Warwick 'Contextual and Change Process Model' (Hendry and Pettigrew, 1986; 1990; Pettigrew, 1990; 1992; Hendry, 1991; Whipp, 1991)

In line with the Harvard model's description of the content of HRM, a group of researchers led by Chris Hendry and Andrew Pettigrew at the University of Warwick's Centre for Corporate Strategy and Change investigated the extent to which strategic decisions might transform HRM practices in British Organizations. Their 'Contextual Model' 'includes the need to consider the external business environment and strategy, and builds in a requirement to understand the culturally-unique role of the HRM function' (Sparrow and Hiltrop, 1994: 17). They found that a combination of a number of important political and economic factors such as international competition, economic recession and government legislation, had forced many companies to adopt tough employment strategies for survival. For example, many companies resorted to strategies of labour reduction and flexible working practices which had been associated with 'new labour relations' and such policies as the decentralization of collective bargaining, the derecognising of trade unions, the empowerment of line managers and the introduction of performance-related pay. More generally, it was argued that external context issues could act on the inner context of organizations, although two organizations in similar circumstances might not respond in exactly the same way because they might follow different HRM approaches to achieve similar objectives (Hendry and Pettigrew, 1990).

The Price Waterhouse/Cranfield 'European Human Resource Management Model' (Brewster and Bournois, 1991; Brewster, 1993; Brewster and Larsen, 1993, Brewster and Hegewisch, 1994; Brewster and Harris, 1999).

The Price Waterhouse/Cranfield project of human resource management in Europe attempted to assess the effects of the single European market on employment policies and practices and on the degree to which a strategic approach of human resource management can be developed. Brewster and his European colleagues concluded from a longitudinal study of HRM in Europe, involving more than the 12 EU countries, that despite their national differences it was possible to develop a model of HRM that re-emphasizes the influence of such differences and makes the practice of HRM in Europe different from that of the USA. They argued also that economic integration conducive to common strategies and practices of HRM will eventually happen in the European continent because such historically evolved differences will gradually disappear with the rise of new norms and values as a result of a new European economic order and technical advances.

The above models have been reviewed and criticized by many scholars (see Poole, 1990; Boxall, 1992, 1993; Sparrow and Hiltrop, 1994; 1997; Budhwar and Sparrow, 1998; Branine, 2001; Evans, Pucik and Barsoux, 2002). What this lecture has attempted to show, in this respect, is that there have been a number of scholarly initiatives to theorize the practice of international human resource management as a field of academic research and study. It can be argued, however, that such models of HRM were developed in particular national and historic contexts and therefore no one of them can be considered to be truly international but they have contributed to the emergence of approaches towards a more general and inclusive understanding of international human resource management. So far I have attempted to explain why and how the concept of international human resource management has emerged but I have not yet defined it precisely. In the next section I will provide an explanation of the subject area.

1.2. The Meaning of international human resource management

From what we have seen so far, the concept of international human resource management (IHRM) has been castigated in academic circles for being a construct of advanced Western management thinking that has been developed in business schools, marketed by management gurus and believed by management professional and practitioners to be helpful for managing their employees in different organizational contexts. There has been a growing theoretical consensus on the main features of good HRM practice at the local and international levels but there is no general agreement on a universal definition of the concept. It has been very often associated with the management of employment in multinational companies, focusing mainly on expatriation (Adler, 1991; Brewster, 1991; 1993, Kidger, 1991) but it is more than that. Adler and Ghadar (1990) suggested that it is possible to define IHRM in relation to the stage at which an MNC has reached, moving from domestic to international, multinational and global. Also, according to their management approach (polycentric, ethnocentric, geocentric and regiocentric) MNCs adapt their HRM policies to the environments in which they operate. Others such as Schuler et al. (1993), Adler and Bartholomew (1992) linked the concept of IHRM to international corporate strategies and developed theoretical frameworks for the study of strategic IHRM. The framework by Schuler et al. (1993) is based on the view that there are a number of endogenous and exogenous factors which influence the choice that MNCs make between global and local human resource practices and policies. Commenting on this framework, Harris and Brewster (1999: 4) stated that it 'demonstrates the complexity of HR decisions in the international sphere and the broad scope of its remit; going far beyond the issue of expatriation, to an overall concern for managing people effectively on a global scale'. Moreover, Sparrow, Schuler and Jackson (1994: 258) wrote that 'international Human Resource Management is the possession of the skills and knowledge of formulating and implementing policies and practices that effectively integrate and cohere globally-dispersed employees, while at the same time, recognising and appreciating local differences that impact on the effective utilisation of human resources' but they did not explain how and when this takes place.

Perhaps the most elaborate definition is the one suggested by Torrington (1994) who stated that IHRM 'is not simply copying practices from the Americans, the Germans, the Taiwanese, the Koreans or the Japanese although this may be technically, operationally and financially appropriate', and that 'it is not a process of all managers learning the cultures of every country in which they have to deal and suitably modifying their behaviour when dealing with those nationals'. He added that 'the idea, implied by some writers, that international HRM requires all managers to move confidently between Argentina, Indonesia, Norway and Alaska with effortless adaptation is unrealistic' (Torrington, 1994: 4-5). Therefore he explained that the practices of HRM (i.e., the functions of recruitment and selection, training and development, performance appraisal, industrial relations and so forth) are essentially national while the practice of IHRM requires managers to act locally and think globally because 'in many ways international HRM is simply HRM on a larger scale; the strategic considerations are more complex and the operational units varied, needing co-ordination across more barriers' (Torrington, 1994: 6).

The points raised by Torrington (1994) are very important for the understanding of IHRM especially in pointing to the fact that IHRM should not be identified in relation to what MNCs do. The role of MNCs in developing and implementing IHRM policies and practices should not be underestimated but it should be emphasized that IHRM does not take place only through them. It can also be argued that the management of expatriation and the role of expatriates are indeed at the heart of IHRM practice but there are other employees and international employment issues that have to be included. In other words, one can argue that IHRM is about the management of local employees globally and global employees locally, including expatriates, host and third country employees, national and international employee regulations, and national and international employee and employer organizations. In the light of this proposed definition I will explain in the next section how it is supposed to work.

2. INTERNATIONAL HRM: THE THEORETICAL FRAMEWORK

International human resource management takes place in a global context and contributes to a process of what has been described as 'globalization' although it can be argued that the concept of 'globalization' does not mean anything until it is related to something. There are different perceptions of globalization because of its multi-disciplinary nature, from the globalization of trade and politics to the globalization of arts, language and types of food. There are almost as many conceptualisations of globalization as there are disciplines in humanities, arts and all sciences. Even within the globalization of business and management we find the globalization of marketing, finance, entrepreneurship, information, and human resource management. Generally speaking it is about activities that take place in a 'borderless world' (Ohmae, 1995) and, as Giddens (1990: 4) explained, it is about 'the intensification of world-wide social relations which links distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa'.

If we assume that managerial activities take place in a borderless world does it mean the practice of human resource management can be universal? And therefore, using our definition of international human resource management, would it be possible to use the same policies of managing the local employees globally as those of managing the global employees locally? Attempts to answer these questions have already been made by the convergence and divergence theorists and yet there have been no convincing answers. The debate has been around since the early 1960s, initially between modernisation theorists among economists and sociologists (Rostow, 1960; Kerr et al., 1960; Parsons, 1964; 1971; Frank, 1971), and then amongst scholars of organizational behaviour and analysis (Hofstede, 1980; 1991; Laurent, 1983; Negandhi, 1979; 1983; Lammers and Hickson, 1979; Hickson and McMillan, 1981; Whitley, 1992; Tayeb, 1988, 1996; Trompenaars and Hampden-Turner, 1997), and recently between writers on human resource management and industrial relations (Laurent, 1986; Kidger, 1991; Baldry, 1994; Sparrow, Schuler and Jackson, 1994; Walsh, 1995; Branine, 1996a; 2001; Easterby-Smith, Malina and Lu, 1995; Common, 1998; Harris, Brewster and Sparrow, 2001). In the context of international human resource management, I would argue that the process of convergence implies the existence of economic integration force from a globalising power of business which necessitate the management of the local workforce globally. Whereas the process of divergence implies the existence of localising power of culture and politics which necessitate the management of global workforce locally to be responsive to the needs of the local operations. However, I would also argue that the degree of convergence and divergence depends on the extent to which the 'unknown' policies, systems and practices are known. In other words how much do international managers know about the local society, operations, business and so on, and how much the local employees know about the international organizations' activities, policies and systems. The more is known by the two types of employee the more the potential for convergence and the less they know the more they diverge, as explained below.

2.1. Managing local employees globally: The globalising power of business

The process of convergence in international HRM means the management of local employees globally and the possibility of developing common employment practices and policies that can be applied in different countries. The globalising power of business creates common economic, technical and managerial imperatives despite social, ideological and legal differences. It has been also argued that the growth of worldwide information technologies and greater collaboration between organizations at national and international levels, and the growth of multinationals make managerial practices increasingly similar (Doz and Prahalad, 1991; McDonald and Burton, 2002). It has become possible to share management information between countries, especially with the spread of MNCs and their use, for example, of similar techniques for job evaluation and employee appraisal which are constructed and instructed in a common language such as English. Through the rise in foreign trade and direct investments organizations have become inextricably related to each other in an increasingly complex international networks of information.

It can be argued, by referring to the drivers discussed earlier, that multinational companies are the creators of cross-cultural management policy and practice, and the main drivers for international convergence rather than divergence. This has been made possible with the increased use of information technologies and the internationalisation of management knowledge and skills. As more and more people are employed by multinational companies in different countries the strong growth in multinational activity looks set to continue, spurred by waves of cross-border mergers and acquisitions, and regional economic integration. As well as growing in size, many MNCs have also undertaken internal restructuring as they seek to position themselves to serve markets which are increasingly international in nature (Ulrich and Black, 1999; Clark, 1999; Schuler et al., 2004). Multinational companies are the main contributors to the globalizing power of business as they have a significant presence in world business in terms of production, trade and employment. The management of local employees globally requires the building of a global corporate culture that local employees can understand and identify with, and having a forward diffusion employment strategy.

2.1.1.Building a global corporate culture

Building a global corporate culture is one way of keeping a global network of activities together (Rhinesmith, 1993). Every organization has its own culture to be identified by and this culture is normally made of shared visions, systems, mechanisms and processes that are created by and made through the people on which the organization depends, from the visions of the founding members or managing directors of the organization to the processes being carried out by employees at the shopfloor level. In international human resource management, it is important to have a human resource development strategy that forms an integral part of corporate culture and that helps to create a global mindset in its key employees regardless of their place of work. In other words all employees become aware of the main features of that corporate culture and contribute effectively to the achievement of its objectives. One of the main aspects of a globalising corporate culture is standardization of policies and practices throughout the organization.

Standardization throughout the organization promotes increased efficiency through the streamlining of production processes, personnel practices, product development, and other activities. As more and more corporations engage actively in global strategy, their activity generates social change. For example, when working for McDonalds in London, Beijing or Moscow employees behave the same way and expected to serve the same products. Sociologist George Ritzer (1996) proposed his theory of Mcdonaldization, which asserts that 'the revolutionary principles of the fast-food restaurant are coming to dominate…societies throughout the world'. The principles he suggested are efficiency, calculability, predictability and control. However, the standardization of practices requires training of local employees to carry out their tasks in the organization's way and the development of local and international managers to make sure that their organization operates in such a way. This requires a forward diffusion employment strategy.

2.1.2. Forward diffusion of knowledge and skills

To make sure that local employees are managed globally it is crucial to develop a 'global mindset' (Srinivas, 1995) that enables local employees to adapt to the ongoing changing world order and to act and lead from a broader global perspective. This process is very often referred to in the international management literature as 'forward diffusion' of knowledge and skills from the home to the host country (Edwards, 1998). The forward diffusion of management theory and practice does not only affect the local employees of a particular multinational organization but also employees of other organizations as the policies and the practices are diffused as part of the national management and employee relations system. For example, as a result of an increasing presence of US MNCs in other countries, including Europe, there has been some acceptance and adoption of US-based management policies and practices such as performance management, productivity bargaining and derecognition of trade unions by local employees and employers. Similarly, the Japanization of local industries through the increasing presence of Japanese MNCs has led to the adoption of employment policies and practices such as quality circles, total quality management, just in time management, pendulum arbitration, single union representation and so on by many non-Japanese companies. The process of forward diffusion of western and capitalist corporate cultures and management practices has been made easier by open trading and regional economic integration, technical changes and the international mobility of information, the internationalisation of Western management education, and the increasing admiration of Western political, economic and social progress by many people in less developed economies.

2.2. Managing global employees locally: The localising power of culture

It is suggested in the previous section that the management of local employees globally requires the building of a global corporate approach based on standardization and having a forward diffusion of an employment strategy based on the recruitment and training of local employees. In practice this is not an easy task because global employees, as expatriate managers and experts, have to understand the local working environment, the local employees, the local institutions and the local norms and values in order to manage the local workforces globally. In other words the global employees have to respond to the localising power of culture. It is argued here that national differences in norms, values, traditions and beliefs, in levels of economic growth and development, and in institutional settings are the main sources for divergence in management policies and practices. It is possible to assimilate organizational structures, to rationalize processes and to standardize products and services between countries but, as Adler et al., (1986) pointed out, it is not simple to assimilate people's behaviour because of their culturally-based differences. Therefore international managers should be aware of the effects that these differences may have on their human resource management in different countries. They should be aware of the main national norms and values, of the national economic trends and organizational characteristics, and of the national institutions and the legal system.

2.2.1. Awareness of the main national norms and values

National norms and values shape the ways in which organizations are designed and run in different countries because the degrees to which people look at their work as a central life interest or as an onerous task is affected by their national values, norms and beliefs, which have great effects on how they work. 'People carry with them (or in them) values and beliefs to their work place and exchange them with their fellow employees and there is no evidence that the cultures of present-day generations from different countries are emerging' (Branine, 1996a: 39). The types of social relations and the power structure in family and society, the different norms and expectations related to leadership, social interaction and relationships, and perceptions of emotions are found to differ significantly between countries (Hofstede, 1980; 1991; Adler, 1991; Deal and Kennedy, 1982; Laurent, 1986; Schneider, 1988; Tayeb, 1988; 1996; Whiteley, 1992). Adler (1991) presented the dynamics of social influences on management behaviour in a cycle where individuals normally express their culture, in part, through the values that they hold about life and the world around them. The values then influence their attitudes about the form of behaviour that they consider to be most appropriate under the circumstances. The attitudes of individuals in a society, when expressed, they provide the norms of behaviour that are specific to that society's experiences, norms and values. The continually changing patterns of behaviour make the cycle of experiences continue. It can be argued that cultural misunderstandings can easily cause business relationships to be broken, resources and time to be wasted, employees to be offended and international managers ashamed. 'Not being able to interact with the host country nationals in daily life outside work makes expatriates ignorant about local thinking and mentality, which influences their ability to assess work situations and makes them develop erroneous assumptions about the people they are managing' (Selmer, 2001: 17). Therefore it is important for expatriates to interact frequently with the locals and to learn the local values and norms from them. This process of national acculturation makes expatriates 'less surprised and frustrated by differences in non-work circumstances of the host country' (Selmer, 2001: 17).

Understanding national norms, values and ways of life in the host country helps not just to introduce appropriate employment policies but also the production of the right products and the provision of needed services. For example, when the French government allowed the American Entertainment giant, the Walt Disney Company, to open its European Disneyland in Paris in order to create more than 30,000 jobs and to generate more than US$1 billon of income to the French economy, the company ran into difficulties soon after opening because of the differences in the attitude to work and leisure between the Europeans and the Americans. The Disney management did not understand the European attitudes to leisure and family entertainment, and built luxury hotels to accommodate holidaymakers who never turned up because for many European going to a park is a day out not a holiday. It also had to serve alcohol in its Disneyland Paris, against its global core principles of clean, safe, and alcohol-free parks for families.

Procter and Gamble faced problems of national preferences and differences even in Europe when it developed the Visor washing power. It found that the Germans generally preferred front-loading washing machines and they thought that the only way to clean white clothes was to use boiling hot water, while the French preferred the top-loading machines and did not think it was necessary to use boiling hot water to wash whites. However, the newly introduced Visor washing power was developed to clean whites best in cool water and in front-loading washers. It neither satisfied the Germans nor the French. 'As the firm discovered, it is not easy to change people's deeply held beliefs on laundering their whites. Neither is it easy to get a nation to change from front-loading washing machines to top-loading ones' (Ulrich and Black, 1999: 43).

In many less developed countries, what is moral or not, whether religious or just customary, is defined clearly in the relationships of people with each other. Respecting and protecting foreigners, excessive (in some countries) hospitality, decency and pity, not wasting food and water, and even showing shyness and humility are acts of ethical behaviour. Respect for age and seniority is part of many non-western cultures. For example, it is very unlikely that a younger person would oppose the opinion of an older one but this does not mean however that talented and skilled young employees are denied respect and promotion. Therefore, international managers should take into account how their employees in a particular social context expect them to react and behave. This could mean to change their management attitude from participative to authoritarian in order to gain the respect of their employees if that is necessary and does not affect their global corporate strategy.

However, as argued earlier, international managers do not have to learn all the languages, adopt the religions and behave exactly like the local employees, but they do need to have good understanding of the local norms, values, customs, history, geography and laws because these are among the main determinants of local identity and national pride. Relevant values have repercussions on employment policies at all levels. For example, because of accepted practice of nepotism and similar activities that are seen as wrong in the West, personnel policies in less economically developed countries may have to accommodate group orientation, accept the notion of hiring friends and relatives, and give more consideration to trustworthiness and loyalty. Social differences are felt only when business interactions take place and people from different societies come face to face with others as suppliers, customers, employees and partners. However, it can be argued that national differences give competitive advantages to multinational companies because of the advantages that can be taken of such differences. The global economic integration will not happen if all countries of the world are the same because competitive advantage of international firms does not take place in a world of the same and does not operate on a level playing field. Local differences are a reason for their being where they are and their managers should see such differences as an opportunity rather than a threat, and they should make more effort to understand national economic trends and organizational characteristics which influence their local operations.

2.2.2. *Awareness of national economic trends and organizational characteristics*

Countries differ in their management systems according to their levels of economic growth and organizational characteristics. Countries with similar levels of economic growth and development may develop, and should at least be able to share, some managerial practices. The difficulties that are encountered by managers in less developed countries when trying to adapt Western theories occur mainly because those theories reflect the level of economic development of their inventors (Hanaoka, 1986; Pang and Oliver, 1988). The more industrialised the country the less the risk of economic instability and a more favourable environment for the international firm to operate. Understanding the economic environment of the foreign operating country can help the international firm to predict trends and events that might affect its future performance there.

It is also important to understand the main organizational characteristics of the host country because in many less developed countries, for example, the relationship between leaders and subordinates is that of 'them and us', which affects how the organizations can or should be structured and managed. Most organizations are centralized and bureaucratic. Delegation of authority is often made to relatives and trusted close friends. In organization where appointments are often made on political grounds, authoritarian management is used to hide potential incompetence and dubious management practices. For instance, in the late 1980s the USA's General Electric Company (GE) moved into Hungary, which was then a communist state. It bought 51 percent of the Tungsram Company that produced lighting products. It believed that it was making a good investment decision to take advantage of Hungary's move towards democracy, but what the company did not expect was the organizational problems that it encountered. Under years of Communism there was a strong tradition of waste and inefficiency. There was no motive for individuals to produce a quality product and the concepts of customer care and customer satisfaction were alien to many Hungarian employees. The American managers thought that the Hungarian workers were too 'laid back' and the Hungarian employees thought that their American managers were 'too aggressive'. It took eight years, $440 million and a 50 percent cut in the workforce, before the company began to make profits.

2.2.3. Awareness of national institutions and the legal system

Patterns of national distinctiveness such as a country's history, its national and regional institutions, its political system and its legislative procedures have strong implications for appropriate forms of management (Child and Lu, 1990; Whitely, 1992; Sparrow, 1995). One of the most important institutions that international managers should be aware of is the education system. It is crucial for the employment and development of local employees to know their level and type of education. By understanding the education system and the types and levels of education in the host country it will be easier to decide how local employees could be trained and how easily technology can be transferred. The way in which education and training evolves in a country influences the structure and development of organizations, and shapes the nature and quality of its workforces. It is important for international managers to understand how local employees learn in order to design appropriate training programmes for them.

The other important institutional factor that global managers should be aware of is the legal system of the host country. Being aware of international laws as well as host country legal systems and employment legislation is not just useful but mandatory in international human resource management. Ball and McCulloch (2003, p.370) argued that 'international business is affected by many thousands of laws and regulations on hundreds of subjects that have been issued by state, nations, and international organizations'. These laws can be divided into international and national laws, and they affect factors such as taxation, employment, and restrictive trade practices legislation, health and safety, imports and exports including tariff controls, financial reporting, product liability, intellectual property, contracts, and currency control laws. National governments intervene through the use of legislation to restrict the level of foreign investments, employment of foreigners, product requirements, wages, trade unions involvement and other regulations that are taken to protect domestic industries, social structure and political system. One of most governments' considerations for allowing MNCs to enter their countries is because they want them to create more job opportunities for their citizens. For example, the Malaysian government has imposed a rule since the 1970s that foreign firms must comply with what became to be known as the 30:30:30 rule which requires companies to employ 30 percent of the workforce from the indigenous Malays or Bumiputras, 30 percent from the Chinese Malays and 30 percent from the Indian Malays, at all levels of employing organizations, and monthly statistics have to be forwarded to the relevant government department to show that this is being done.

2.3. Managing the unknown: the globalising-localising power of knowledge

It can be concluded from the foregoing discussion that the process of international human resource management sits between the globalizing power of business and the localising power of culture and politics. The problem in implementing such a process effectively lies in knowing the unknown. In this respect, it can be argued that the more is known by the expatriates about the local working environment and the local employees, and the more the local employees they know about the corporate culture and its operations the greater and the better global integration and local responsiveness there will be. The factors that facilitate the process of knowing are the ability to assess and avoid risks, and the encouragement of 'reverse diffusion' of management best practice.

2.3.1. Assessing and avoiding risks

Although many countries have opened their doors to multinational company investment there are still many problems of local acceptance. The main problem for the implementation of international human resource management is knowing the risks involved in employing expatriates and local employees. Governments of many countries do welcome foreign direct investments but they also have the responsibility for protecting their own industries and citizens when threatened by foreign investors. Outcomes of inter-governmental conflicts, pacts and bilateral relations can have significant effects on the operations and employees of MNCs. Multinational companies prefer each country that they invest in to be politically stable and to have low rates of inflation and high levels of economic growth.

Although many less developed countries offer large market potential and exhibit strong economic growth, investing in them can be riskier than investing in industrialized countries. Most of the less developed countries in Asia, Africa and South America have experienced complex and unstable political systems in their attempts to develop suitable frameworks and ideologies for their socio-economic development. Their governments change often and with the change of people there are changes of laws and regulations. There are countries that have moved from socialist to capitalist regimes (Eastern European countries) and others from dictatorship to democracy (most African and Middle Eastern countries) but whether for better or worse, governments direct the productive activities of their countries, and through the use of laws, regulations and policies they influence the activities that may or may not be carried out within their borders. There are also financial and economic risks that may or may not be expected because of environmental (climate) changes, terrorism, international labour migration, fluctuations in demands for certain products, shortages in the supply of raw materials, international financial crisis, and so on, that international managers should be able to assess and avoid when possible. Such risks have serious implication for the international operations of a firm and for the international management of its human resources.

2.3.2. ***Encouraging 'reverse' diffusion of management best practice***

It is argued above that 'forward' diffusion is important for managing local employees globally and for global business integration. It is equally important to argue that 'reverse' diffusion of management policies and practices from the host to the home country should be encouraged for managers to learn more about local management systems. Edwards (2000: 55) argued that reverse diffusion 'is potentially of great significance; approximately two-thirds of the employees of MNCs are located in domestic workplaces (UN, 1998), meaning that reverse diffusion has potential to affect twice as many workers as does forward diffusion'. The reverse diffusion is part of the national identification process as international managers are informed of the national characteristics of organization and management in different countries. Ulrich and Black (1999) argued that one of the managerial competencies that may enable international companies to integrate and concentrate global activities while attempting to separate and adapt to local activities is to share learning and generate new knowledge from the local operations. Encouraging reverse diffusion of management theories and practices will lead to better understanding of local working environment and to develop relevant models of international human resource management as evidenced from the examples provided in the next section.

3. INTERNATIONAL HRM: THE APPLICATION

To provide further evidence for the theoretical framework explained above, I will discuss the management of human resources in China and in the Arab world. Both, China and the Arab world, have been confronted with globalising powers of business, to a great extent, in similar ways but the management approaches that have been developed in response to global economic integration are very different.

3.1. Managing Human Resources in China (the People's Republic of China)

The openness of China to Western economies in the early 1980s has been seen as one of the main triggers for the emergence of international HRM, as explained above. Chinese economic reforms have produced increasingly liberal arrangements for international trade and significant reforms of management systems. The reforms have attracted a huge amount of foreign investments and the transfer of management know-how from Western countries to China but there is no evidence of convergence in employment policies and practices between the Chinese and the Western systems. In this section, I will explain how the globalising power of business created by the open door policy has required the management of the local employees globally, and then how the localising power of culture and politics has required the management of the global employees locally. It will be concluded that a successful process of global integration and local responsiveness depends on how much global managers know about the principles of a human resource management with 'Chinese characteristics' and on how much the Chinese employees are allowed by their leaders to know about Western management practices.

3.1.1. Managing the local employees globally: The globalising power of business

The open door policy was not just about foreign direct investment in China. It was also about the transfer of advanced technologies from the West, the adoption of management knowledge and skills that were developed under free market economies, and the opening of new markets abroad for Chinese products. There has been an increasing emphasis on the attraction of foreign direct investment in high technology and primary industries which are export-oriented, and in service sectors such as tourism, retailing and insurance which benefit from market-oriented management techniques (Child, 1994; Chen, 1995; Warner, 1995; Brown and Porter, 1996). Among the significant signs of a globalising power of business that have required the management of local workforce globally are the commitment to regional integration and foreign investment, increasing rate of economic reforms, the adoption of Western management knowledge and skills, the settlement of overseas Chinese in mainland China

Commitment to regional economic integration, foreign investment and private ownership
The PRC joined the World Trade Organization (WTO) in 2002 and this reflected the great economic success achieved since the open door policy of December 1978. This move has made China more exposed to global integration as the Chinese government and Chinese businesses have to conform to international laws on property rights, financial transactions, international trade policies and employment practices. Economic reforms

have been gradual. At the same time there has been a big push to integrate the economies of the mainland China and Hong Kong, and between these and Taiwan and other nearby countries. There has been a big shift since the inception of the reforms from an economy dominated by state-owned to non-state owned enterprises, starting with rural enterprises and other collectively owned ones to foreign-owned and private domestic companies.

Increasing rate of economic reforms

Economic reforms led to significant changes in employment relationships and in the management of human resources. Most state-owned enterprises have seen fundamental changes in their employment policies, namely the introduction of fixed term and contract employment instead of jobs for life, and remuneration systems related to a mixture of performance, skills and seniority (Warner, 1996; Branine, 1997; Cooke, 2000).

The key reforms in labour policy started in the second half of the 1980s when the labour contract system was introduced, staffing procedures were decentralised, reward systems were liberalised, training and management development were emphasized, the welfare and insurance system was rationalised, and Communist Party control of enterprises was minimized (Branine, 1997). The labour contract system has revoked the long-standing tradition of lifetime employment while the decentralisation of recruitment and selection procedures has ended the long tradition of having to apply for jobs through a local recruitment bureau which allocated people to jobs regardless of their preferences. People are now given the right to choose the jobs they like but they become more responsible for the fate of their own future employment. Such freedom of employment created a challenge for young graduates to compete for better jobs with higher career prospects in joint ventures and foreign-owned companies but those jobs are very often highly demanding and employment can be insecure. The liberalisation of the rewards system was to end the tradition of keeping the rates of pay as low as possible and to use normative or symbolic rewards as performance incentives, and to the introduction of rewards linked to individual performance and organizational objectives. The Enterprise Law, which was introduced in May 1988, stated that a manager (director) is the sole legal representative of an enterprise, exercising full responsibility for all business activities. It provided a breakthrough in the traditional relationships between the Party, managers and unions by specifying that the Director would replace the Party Secretary as the chief leader of the enterprise.

The adoption of Western management knowledge and skills

As the reforms progress, Chinese organizations became increasingly willing to adopt managerial practices and policies which are more appropriate to their particular context. Chinese managers are under increasing pressure to be innovative in order to cope with internal changes and international competition pressures. A fundamental aspect of this globalisation process is the training of Chinese managers in key aspects of free market economic practices. The commitment to training and development of employees is a powerful indicator of the Chinese understanding of what is needed for long-term strategic development. 'In particular, there has been a huge growth in the numbers of students studying for the Masters of Business Administration (MBA) in China. However, given that previously there was no defined discipline of "management" in China, these MBA programmes have been based on the transfer of established management knowledge from the West (Fan, 1998; Xsi and Bruton, 1999; Warner, 2003). Thus China is increasingly importing management education from the West and is strengthening its ties with American and Western Business Schools and Colleges" (Newell, 1999: 287). Many Chinese are taking masters degrees and completing doctoral studies in Western countries, including Australia and Japan, in business and management subjects such as marketing, entrepreneurship, human resource management, accounting, finance, business strategy, information technology and other specialist disciplines such as computing and engineering. The wide spread of generalist and specialist MBAs in China and the growing number of Chinese managers working in joint ventures and foreign-owned enterprises have all contributed to the development of a new population of economically and technically more sophisticated Western-oriented managers (Branine, 1996b).

The settlement of overseas Chinese in mainland China
In recent years many western-trained managers from Chinese origins have moved to work in China as employees and as investors. The increasing settlement of overseas Chinese in China is one of the solutions to the acute shortage of managers in China. This is expected to make forward diffusion of Western management theory and practice much easier as thousand of Chinese from neighbouring countries are making their home in the mainland China and Hong Kong because of the common language, values and mores, and the higher standards of living made possible for them by their multinational employers. 'The fact that more and more Western multinational companies are targeting overseas Chinese graduates in the Western countries to work in mainland China also implies the insufficiency of highly qualified personnel in China's labour market at present' (Cooke, 2000: 922).

3.2. Managing the global employees locally: the localising power of culture
So far it appears from the above discussion that progress is being made towards the implementation of 'forward diffusion' of management knowledge and skills from the West to China. However, is it working and to what extent have local employees been managed globally and successfully? In a study of the effects of western management perspectives on the management of human resources in China, Child (1991: 102) argued that there was 'a wide gap between Chinese and foreign practice in human resource management'. Also, Warner (1993) expressed doubts about the possibility of convergence between Western HRM practices and Chinese personnel management. Findings from a comparative study of British and Chinese companies showed that there were a few similarities and several distinct differences between the two countries (Easterby-Smith, Malina and Lu, 1995). Most of the similarities were found in planning and career development procedures, while there were differences in terms of criteria for promotion, job rotation, recruitment and selection, and the roles of trades unions. They found also that personnel management functions such as performance appraisal had been based on criteria that were completely alien to those used in the west. The concept of motivation that is based on individual rewards 'may have limited relevance in a socialist China' (Jackson and Bak, 1998: 283). From a study of the effects of economic reforms on managing people in twenty Chinese state-owned corporations, Brown and Branine (1995)

found that despite the reforms having been in progress for some fifteen years, there was little evidence of radical changes in the ways by which personnel-based policies were carried out. On the one hand managers' responsibilities for overall enterprise performance, especially for output and profitability, were highly visible, but on the other hand their control over key input costs, such as labour and conditions of employment, and social and welfare obligations, is very limited. The main reason for this limited forward diffusion of Western management practices and the apparent divergence between Chinese management practices and those of other countries is the strength of a localising power of culture.

It has been argued that the teachings of Confucius, philosophical and moral approaches such as Taoism and Buddhism, and the thinking of military strategists and politicians have all contributed to China's national norms and values such as social harmony, face and avoidance of shame, hierarchy and respect of authority, seniority and class distinction, strong social awareness in general, family orientation, belongingness and group dynamics, and interpersonal relationships of reciprocity and the return of favours (Hofstede and Bond, 1988; Chan, 1995; 1999; Yeung and Tung, 1995; Newell, 1999; Tang and Ward, 2003, Jackson and Tomioka, 2004). International managers working in China should be aware that the management of human resources is deeply rooted in the country's history, and reinforced by tacit socialist norms of solidarity, equality, mutual assistance, honesty, friendship, and obedience to the law. Such norms and values have continued to influence aspects of work behaviour and employment relationships despite the spread of economic reforms.

Confucianism came from the thinking and teachings of K'ung-fu-tzu (551 BC-479BC) or Master Kung, who was a high-ranking civil servant in China and renamed Confucius by Jesuit missionaries. Confucianism guides, even today, most Chinese behaviour within and outside the mainland China, with respect to learning, hierarchical relationships, harmonious social and personal relations and morality. It is more of a social code of practice rather than a religion because it is very pervasive and tolerant to other religions and ideologies. The main principles of Confucius teachings are persistence and perseverance, respecting relationships and ordering then by status, thrift and having a sense of shame/protecting face (Hofstede and Bond, 1988; Chan, 1999; Chew and Lim, 1995). These principles are blended with the views and teaching of other masters, scholars, military strategists and politicians, including all the leaders of China under Communism, to form the national norms and values of modern China under the reforms. Among the norms and values that have direct effect on employment policies and international human resource management are the role of interpersonal relations (*Guanxi)*, the importance of harmony, the importance of face, the importance of respect of power, seniority and status, the importance of strategy, and the importance of learning by rote and repetition.

The importance of interpersonal relations (Guanxi)

The *guanx*i tradition is implicit because it is reciprocal in the sense of a favour being repaid at some time after the original one is given, and because the original recipient may not have anything immediately useful to give to the donor in return. It is related to the

Confucius saying 'do not expect returns when you provide a service to others but do not forget when others provide a service to you'. Interpersonal relationships or connections are of key importance in doing business with the Chinese but building such relationships requires mutual respect and reciprocal exchange of gifts and favours. *Guanxi* is more than a friendship or network as in other countries because it produces a reciprocal obligation on people to respond to requests for support and help (Newell, 1999; Warner, 2003). While *guanxi* is crucial to successful market entry into China, it is a necessary but insufficient condition to ensure the continued success of future operation in China. Yeng and Tung (1995: 12) found that 'the significance of *Guanxi* alone in ensuring continued success decreased over the life of the venture'. The problem is that some international managers who are not used to Guanxi may find it a kind of nepotism and may feel uncomfortable or unhappy to sustain it for a long time as the Chinese do. From a study of the relationship between *Guanxi* and financial performance among 19 Hong Kong, US, Canadian, German and Swiss firms in China, Yeung and Tung (1995) found that *Guanxi* was the only item among eleven factors which was consistently identified as a key success factor to long-term business success in China.

The importance of harmony

Generally, Chinese culture takes the view that human beings should be mutually dependent and should find their rightful place in harmony with the environment. Hofstede (1980) and Hofstede and Bond (1988) described this type of national culture in terms of collectivism, comparing it with the individualism of Western societies. Confucianism stresses the necessity of keeping relationships in harmony and peace as individuals are asked to adapt themselves to collective society, to control their own emotions and to avoid dissent, competition and conflict. It is believed that the logic of being depends on integrating opposites (Li, 1998) and that problems should be approached as a 'network of interrelated items in a non-linear web' (Beamer, 1998:55). As Newell (1999: 291) explained, 'notions of best practice, which by definition hide the paradoxical relations between technology and organization or between culture and context, would therefore be less likely to be readily absorbed by a Chinese audience'.

The importance of face

Although face is important in any society it is more significant in China and it has two dimensions: *Lien* which refers to the moral character (decency, integrity) and is more ascribed than achieved and acts as a pull and push factor, and *Mianzi or Mien Tsu* which refers to one's status and/or reputation that have been acquired through one's own efforts, and it is more achieved than ascribed. The two dimensions of face are closely related as long standing *Lien* is reinforced by repeated actions and behaviours of *Mianzi.* When one of them is lost it is hard to maintain the other (Yau, 1984; Chan, 1999; Jackson and Tomioka, 2004). Therefore in doing business it is important to avoid direct conflict and confrontation under any circumstances in order to save face. The face is related to interpersonal relationships *Guanxi* and to shame or *ch'ih*. Shame is brought to the person who losses face and to those who fail in their working lives as a result of failing to keep their *Guanxi* with others.

The importance of respect of power, seniority and status

Confucianism is based on authoritarian principles, with technical expertise and position power being the basis for this authority. Confucius called for the respect of nature, earth, monarch, parents and teacher. Challenging the authority of the state, parents and teacher is discouraged and is very often seen as a kind of disrespectful behaviour. This is apparent in the power of the Communist Party which dominates all aspects of life in China as a controlling body within state-owned companies which has access to employees' files and decides on important issues such as employment, promotion and rewards. In all activities people are expected to obey instructions which come from the authorities and submit to the will of superiors and leaders. The teacher, for example, has an important status in Chinese society and is held with high respect. There is a strong belief in that every learner must have a teacher and the latter should teach morality and deliver knowledge and skills. It is always the teacher who decides on the learning methods and the type of knowledge that should be delivered.

Learning by rote and repetition

Pun (1992) proposed that to understand the characteristics of the Chinese approach to learning one has to analyse the process of learning Chinese. Learning how to read and write in Chinese is a process of memorising and repeating the written characters. Each Chinese word is made of a single character and each character has its own meaning, fixed form and sound. The learner is taught to memorise each character and its pronunciation. This process of rote learning and memorising makes the Chinese learners very dependent on the teacher who provides the information and seldom when they question or criticise what is being provided. What seems to be rote from a western perspective is just a process of Chinese learning by repetition. Chinese language and ways of thinking tend to be more spatial than verbal in emphasis and this creates problems in teaching Western management ideas and practices that are verbal and assertive. Chinese people have different discourse practices which can be misunderstood and wrongly interpreted by western managers. Selmer (2001: 16) explained that 'Chinese speaking practices often lead others to (mis)perceive Chinese people as shy, indirect and reserved, or as evasive and deceptive. Such perceptions unavoidably create communication problems between Chinese and others (Gao, 1998), even if both sides use English'.

3.3. Managing the unknown: Human Resource Management with 'Chinese Characteristics'

How much do international managers know about the management of human resources in China? Even if we assume that they are well aware of the above norm and values, and ways of Chinese work behaviour they may still fail to manage their local employees globally when they are unable to assess and avoid the risks of doing business in China. Similarly, how much do local employees know about their international employers? Have they been able to reserve diffusion of management best practice from China to their international managers or have they been just reliant on forward diffusion of Western management knowledge to China?

Human resource management with 'Chinese Characteristics'

Drawing evidence from a study of ten state-owned companies Warner (1993) argued that the management of human resources in China reflected the cultural values and traditions of the country, making it a distinctive form of HRM, one with Chinese characteristics, which despite some similarities, differs fundamentally from that practiced in Western countries. Also, from a study of 20 state-owned companies in China, Brown and Branine (1995) concluded that while rates of change would vary considerably across different sectors of Chinese industry and in different geographical regions it is unlikely that human resource management in China will converge a great deal with Western HRM practice. They argued that the perceptions and practice of human resource management in China are characteristic of the Chinese political system, types of enterprise, and values of employees. Therefore the assessment of risks in doing business in China starts from the understanding of the mechanisms by which the state controls business and management in the country.

Assessing and avoiding risks of political confrontation
In China, the aim of the government and the party has been to introduce economic reforms in a way that minimizes any ideological reorientation, and so that state control over all organizations and institutions could be retained despite the increased number of joint ventures, the growth of active private owners, and the success of free trade zones. However, despite rapid changes in the economy, most of the major industries and utilities like energy, steel, petrol and gas, and chemicals, cars and extraction are still state controlled and owned. Foreign direct investments are in the increase but most of them are coming from Asian countries such as Singapore, Malaysia, Taiwan, Japan and South Korea than from the OECD countries, making the integration more regional than global.

The influence and involvement of the Communist Party in the management of state-owned enterprises is still apparent despite making enterprise managers more accountable and autonomous. Managers are given the right to recruit, select, promote, train, demote and dismiss employees within the limits of an overall state planning system. In practice, however, the phrase ‘within the limits’ is unlimited in its interpretation and prevents managers from making decisions without consulting their enterprise’s Party committees (Branine, 1997). It is the Party rather than the trade unions that challenges the power of managers. While the managers are in charge of the day-to-day operations, the Party committee is responsible for making enterprise policies (Lu and Child, 1996). International managers working in China should not only understand the national norms and values, the relevant laws, and types of organizational structures but also assess carefully the risks that may come from the responses of the state authorities to their management and business decisions.

3.2. Managing Human Resources in the Arab World

There are 22 Arab countries with a combined population of more than 300 million people. Over than 90 percent of them are Muslims. Obviously not every Arab is a Muslim and most of the Muslims in the world are not Arabs. There are about two billion Muslims in the world, making almost 25 percent of the world’s population. Unlike China and many other countries, most Arab countries have had very limited economic reforms and have preferred to watch, wait and see. They have agreed to disagree on having a common market or another form of regional economic integration despite their common language, tradition and religion. They have all the means for strong economic and political integration but they are divided forever by their governments' personal interests and against their people's wishes. The Arab Gulf States (Bahrain, Kuwait, Oman, Qatar, Saudi-Arabia and the United Arab Emirates) are wealthier than other Arab countries and they are the most politically stable so far. However their economic growth and great wealth have depended heavily on expatriate labour and Western expertise, management knowledge and technology.

In this section I will explain how globalisation is driving the local workforces to adapt to Western management practices and then I will discuss the difficulties that expatriates find when working in Arab countries, arguing that they needed to understand and appreciate the local norms and values in order to carry out their responsibilities effectively. It will be concluded that one of the main reasons for the lack of progress in the Arab world is the lack of fit between global integration and local responsiveness because of excess forward diffusion of Western management and business practices without any consideration of reverse diffusion of local management practices. There is a contradiction between what is known by the global employees to manage locally and what is required from the local workforce to be managed globally. International managers and even some local ones, because of their western management education, seem to ignore the fact that there are Islamic management principles that could help to develop the appropriate type of management best practice in the Arab World while benefiting from the transfer of relevant Western management techniques and Western technology. Reverse diffusion is important for the effective management of local employees globally and global employees locally. The main principles of Islamic management, which do not contradict in principle with the management principles and practices of the West, will be also explained.

3.2.1. Managing the local employees globally: the globalising power of business

The free market economy and the accumulation of wealth in most Arab countries have led to excessive consumer spending, the introduction of over-ambitious projects, an over-emphasis on training and development, and a presence of citizens who consume much more than they produce. This phenomenon has created over dependence on goods and services produced and distributed by the major foreign-based multinational companies. Most of the Middle Eastern countries have become major consumer markets for world market producers. The globalising power of business, through forward diffusion of capitalist management theories and practices, is clearly apparent in all aspects of life from the increasing presence of multinational companies, the high exposure of local employees to western management, increasing numbers of foreign employees, and to influences of Western media like activities, and western political and even military pressures.

The increasing presence of multinational companies

The increasing presence of multinational companies is not just transferring the needed technology and management knowledge and skills from the West but also a culture of consumerism through their mass media advertising. Western expatriates are highly valued, highly paid, well respected and admired for their knowledge and expertise, commitment to their work, dedication, careful attention to detail, respect for time, and tolerance and sensitivity to other cultures. This type of treatment has led to increasing numbers of Western and non-Western (third country) expatriates and has facilitated forward diffusion of Western management practices and policies to the Arab world. Almost all major multinational companies of the world can be found in the Middle East. From the big oil producing companies to small producers of household goods and fast food restaurants. The symbols of capitalism and Americanization such as McDonalds, Pizza Hut and KFC can be seen just metres away from the courtyard of the Holy Mosque in Mecca.

High exposure to Western management education

The growing affluence of Arab countries, especially those of the Gulf states, has allowed faster growth in education opportunities and more exposure to European and North American modes of management theory and practice. According to Weir (2000: 505) 'more Gulf managers hold university degrees than their counterparts in the US, UK, France, Germany and Japan. Gulf managers receive more management training per year than American and British managers'. Western management is held in high esteem and many professionals and managers were trained in one way or another in Western countries. It is believed by Arab politicians and businessmen that bringing western-style education to their people would build bridges between societies and improve the understanding of each other's cultures. Even the types of qualification that are offered to graduates in some Middle Eastern countries are from the western universities or qualification awarding bodies. According to Wilkins (2001: 261), 'several large business organizations, educational institutes and training providers in the Arabian Gulf region offer management qualifications accredited by the National Examining Board for Supervision and Management (NEBSM), which is based in the UK'.

The number of American universities in the Arab World has grown from only two by the 1980s. One is the American University of Beirut which was established by the missionaries in 1866, and the other is the American University in Cairo. This has expanded to more than ten American universities in recent years, as the small Gulf states compete with each other for having American universities and American-accredited programmes in their national ones. The trend for more western education has been also driven by a failure of national governments to meet the demands for education by an increasing population of more than 60 percent under the age of 30 (*Financial Times,* February 11, 2004, p.20).

Influences of Western- media like activities

If one has a satellite receiver that is positioned to receive Arabic channels it would be possible to evaluate the type and quality of programmes that are presented to the Arab-speaking people. From children programmes to films and news, they are all infused with Western views, values and news. One may not be surprised to see Teletubbies in Arabic in the Sudanese satellite channel and Bob the Builder in Arabic in the Moroccan satellite channel, but even Who Wants to Be a Millionnaire, Top of the Pops and worse versions of Big Brother and Blind Date alike. This is not to forget the ANN TV broadcasting from

London, El-Jazeera TV from Quatar and Abu Dhabi TV from the United Arab Emirates with their 24 four hour news covering the world faster than the CNN or the BBC World News. The Arabs are bombarded on a daily basis with views and news that have very little relevance to their current needs and problems. The Arabs are bombarded on a daily basis with views and news that have very little relevance to their current needs and problems. Most of the young people, who make the majority of the Arab population, live in a fantasy world created by false media images, unmet government promises, unreliable education faculties, unknown national identities, and very limited employment opportunities.

3.2.2. Managing the global workforce locally: the localising power of culture

Despite the globalising power of business in the Arab world most of the Arab countries are economically, socially and industrially underdeveloped. There are problems of unemployment, poverty, health and education as well as high levels of social and political turbulence. Expatriates complain about the locals and the locals complain about the expatriates, and many multinational companies are happy to employ foreigners for their hard work and commitment rather than the nationals because of their lack of competence while the governments of those countries insist on creating jobs for the nationals, and so on. A number of studies have reported the problems of expatriation in the Middle East, especially the social isolation, homesickness, fear from and lack of trust by the locals (Al-Salem, Farah and Al-Salem, 1979; Al-Bunyan and Lutfi, 1980; Daher and Al-Salem, 1985). Some local employees very often commented that Western managers did not pay attention to the host culture because they had been arrogant, materialistic, faithless and disrespectful to others (Ali, 1998). It seems that the localising power of culture and politics has made it harder than expected for global managers to operate effectively in the Arab world because of the following factors.

The need to understand the nature and mentality of Arab managers

A number of studies have agreed that most Arab managers are authoritarian in dealing with their subordinates and their organizations are centrally controlled and politically orientated. Status, position and seniority determine the nature of decision-making where delegation of authority is very low in an atmosphere of low trust, and political gamesmanship pervades (Bussom et al., 1984; Al-Faleh, 1987; Muna and Bank, 1993). Arab managers run their organizations as family units and often assume a paternalistic role in them. They value loyalty over efficiency and rely upon family and friends for getting things done.

It has very often been reported that Arab managers are either extremely authoritarian (Badawy, 1980; Kaynak, 1986) or very consultative (Muna, 1980; Ali, 1990). This kind of managerial behaviour depends apparently on the types of subordinate they have. Arab managers get angry when their employees resign but are happier when they sack them. Those managers in the Gulf countries are used to obedient and respectful Asian employees and see any behaviour otherwise to be a threatening to their power and authority. An expatriate’s disagreement with an Arab manager may lead to deportation and even imprisonment. There is no consideration of equal pay for equal work of equal value as employees are paid differently depending on their nationalities and managers’ preferences. Management practices and employment relationships are also influenced by interpersonal relations and intermediaries in what is usually referred to as '*Wasta'*.

The role of 'Wasta'

One of the main problems in Arab countries is the widespread use of '*Wasta*' which is a type of interpersonal relationship that is exploited in order to get things done. For example, the recruitment, selection and reward of employees is very often based on '*Wasta'* or *'le Piston'* as it is referred to in the Meghereb countries (Algeria, Tunisia and Morocco) despite the apparent use of recruitment, selection and rewards methods that are known in the West (Branine, 1994; 2002). The concept of *Wasta* means literally to go in between and '*Le Piston'* is the bolts that hold parts of a car engine together but in practice they are a type of favouritism and nepotism which is actually forbidden in Islam. This type of practice gives precedence to family and kin over organizational objectives. Powerful and influential people are seen to have *Wasta* and it is only through them that problems of their friends and relatives can be solved and their needs are met. The practice of *Wasta* remains the main way for many people to get desired jobs, grants, scholarships, good medical treatment, and even a passport or a licence to do business or to buy a car from abroad. Application forms and documents that are not followed up through the use of '*Wasta*' or '*le Piston'* are often lost or ignored. 'Friendship and kinship take precedence over qualifications as managers feel obliged to support their relatives and family and friends' (Branine, 2002: 141). The practice of '*Wasta'* can develop from special kinds of relationship (*Ailakat*) between members of one community and reciprocal exchange of favours in dealing with people (*Mouamalat*). The concepts of '*Ailakat'* and '*Mouamalat*' are at the centre of any business and management relationship, and very similar to the concept of '*Guanxi'* that is found in Chinese culture.

Status consciousness society

Power and authority position the role of individuals in Arab society and have strong implications for relationships between leaders and subordinates. It does not matter how much you know but who you are. 'Arab culture emphasises status in all areas of society, family and work. Many managers are eager to be selected for a management development programme as it demonstrates, to some extent, their managerial status and the increased likelihood of them being promoted' (Wilkins, 2001: 263). The source of power and status can be from the family, the tribe, a person's relationship with the state apparatus, the position in the organization, the relationship of the person to the management of the organization, and the name of the degree held. The family name has more importance and holds more power in some Gulf Sates than knowledge and expertise. For example, being a Doctor or, to a lesser extent, Professor or Engineer gives the person a very high prestige and status in society, family and work. Some doctors get very offended if they are not called Doctor. This explains the high number of Middle Eastern students willing to study for a PhD. In emphasizing the importance of status in the Arab world, Wilkins (2001: 263) wrote that 'expatriate trainers may wish to treat all students as equals, but they should be aware of each student's position in their organization and even their position in society (in case they are from a particularly well-known and influential family) so as not to upset or offend anyone'.

Status is also dependent on the type of jobs people do. Despite the change of attitudes towards work, tribalism and class structure as a result of education, urbanization and lesser wealth, there are still many Gulf state nationals who refuse to perform manual and hard tasks which have been normally carried out by foreigners or those who do not belong to any family name or tribe. They are not attracted to low pay and strenuous jobs because they generally believe that they have the right to be employed in prestigious and less demanding ones. The problem is that many of the nationals are not able to perform the jobs they aspire to successfully. Therefore they depend on expatriates as their advisers, line managers and experts. In general most Gulf countries are heavily dependent on foreign labour of immigrants and expatriates.

The importance of face- to-face interaction

Arab culture is based on face-to-face interaction as daily contacts with people in the market and in the Mosque are important. This type of behaviour is found at the workplace where managers and their employees prefer direct contact with each other because it is believed that the face-to-face interaction produces trust, support and commitment. Talking and personal visits are more preferred ways of communication than the use of letters or memos. 'The use of personal networks, connections and coalitions to support face-to-face interaction is also widespread. It is difficult within the culture of the Middle East to say "no" face to face, however, so successful managers are seen as those who have developed a capability to give negative messages while maintaining strong interpersonal rapport' (Weir, 2000: 506).

Respect for age and seniority

The Arab society is paternalistic, collectivist and highly power structured. The young must respect the old and the junior must obey the senior. In all Arab countries age is a plus factor in terms of credibility and authority so that the older person in the house, in the tribe or even in at work is the leader. Age is generally seen as a positive attribute and older people are put in the position of one's parents. Most Arab countries have a high level of population growth and a high rate of young people. Despite the high level of youth population most of the leaders are of old age.

3.2.3. Managing the unknown: Human Resource Management with Islamic management principles

The Arab world is becoming the most insecure place for multinationals to do business because it is politically and socially turbulent and increasingly uncertain. Barakat (1993) argued that the Arabs lost their sense of direction and have been in a similar position to that they were after the First World War when the victorious Europeans divided them according to their colonial interests. Generally speaking, one might argue that in many Arab countries expectations are very high and they are far away from what could be realized. It is not just a problem of resources as such, because they have plenty, but of organization in its broader sense. Such organizational problems have a wide range of consequences. While examples of employee dissatisfaction such as absenteeism, high turnover, corruption, and bureaucracy are the outcomes of modern industrial life and can occur in any organization where formalization, centralization and bad conditions of work are to be found, the situation in Arab countries is especially serious. Such problems lie in the complexity of interaction between dominant social values, technology and level of development achieved.

Assessing and avoiding risks of cultural misunderstanding

All attempts to study management in the Arab world have demonstrated the significance of cultural and political influences on managerial behaviour and have recognised the importance of Islam, tribalism, state control and western influence in shaping the type of contemporary Arabic management (Ali, 1990; 1998; Dadfar, 1993; Weir, 1998, 2001). Ali (1998: 13) argued that 'multinational corporations (MNCs) should identify those areas that are most likely to cause friction and misunderstanding (eg. religious or political issues). MNC executives need to have the interpersonal skills necessary to modify their behaviours and to appreciate differences between them and the Arabs, especially on those issues that are upheld by Arab values (eg. centrality of religious beliefs, respect for elderly, privacy of family affairs)'. However, the type of management that is practiced in the Arab countries has very little to do with the dominant cultural values and norms. Some practices such as *Wasta* and status are actually contradictory to the teachings of Islam. Although most of the countries in the so-called 'Arab World' use a combination of Islamic and civil law there is very little consideration of Islamic management in any of those countries. Unlike the common and the civil law, the Islamic law is based on the interpretation of the Quran (words of God) and the *Hadith* (words of Prophet Mohammed), in what is called *Shari'ah* law. The parts of Islamic law that are used in most Arab countries are those confined to specific aspects of social life such as family and inheritance laws while economics and management are left to civil laws adopted from the West.

Currently the Arab world suffers from extreme superficial Islamic knowledge that has damaging effects on the management of organizations and has limited the scope for the development of an Islamic management system. Many of the so-called Muslims in the Arab world are that by name only and their knowledge of Islam does not exceed the basic rituals of making ablution and performing the five daily prayers. It is easy for many managers to import ready-made models of Western management than to develop their own ones. Most of the Arab managers have never heard of an Islamic management system because of it is never taught in their colleges and universities. In a detailed study of the different typologies of Arab individuals, Ali (1998: 13) asserts that 'the ruling elites consider informed citizens a threat to their interests and to their goal of reshaping the mind of Arab individuals'.

Islam is a misunderstood religion even by those who belong to it. There are many verses in the Quran which call for peace, tolerance, mercy, justice, meeting promises and pledges, piety, honesty, gentleness, politeness, caring for the needy and sharing the wealth of the nation. Islam accepts private ownership, free market economy, and the making of profits but at the same times forbids exploitation of employees, theft and deceitful practices, usury, the accumulation of wealth, and monopoly practices. There is an Islamic economic system, Islamic finance system and Islamic management system but neither of them is currently practiced in any of the Arab countries.

Principles of Islamic management system

The principles of work ethics and management in Islam derive from the Holy Quran, the sayings and practice of Prophet Mohammed who said, for example, 'no one eats better food than that which he eats out of his work' and once he said to a beggar 'it is better for you to collect some wood and sell it than to ask people, they may give you or they may not'. He also said: 'poverty almost amounts to impiety'. Many verses of the Quran speak about justice and honesty in trade, courtesy and fairness in relationships, and encourage humans to learn new skills and to strive to do good work that benefits the individual and the community. Management is crucial in Islam and having a leader is obligatory in most circumstances of life. Prophet Mohammed said, 'when three are on a journey, they should appoint one of them as their leader'. Islam emphasizes co-operation in work and consultation in making decisions. In Islam, 'life without work has no meaning and engagement in economic activities in an obligation' (Yousef, 2001: 153). Ali (1998: 14) argued that 'managers of MNCs, especially US based, should view the rising influence of Islamic beliefs in the region as a reflection of cultural identity. That is, managers of foreign based MNCs need to treat Islamic beliefs as other than threats to western interests in the region; rather, they should view it as a phenomenon that should be understood in its merit'.

In Islam working is obligatory for those who are able to work and self-reliance is a virtue as well as a source of self-fulfillment and success. Islamic principles of management are not in contradiction with the Western management practices. They have many common features and their differences are belief-related which make them more convenient for one national identity rather than the other. In their studies of Arab management, Dadfar (1993) and Weir (1998) argued that in many key issues the fundamentals of Islamic belief and Arabic social organization are similar to the current trends in Western management. Weir (2000) pointed out that the neglect and even hostility towards management in Arab countries by western scholars implies their ignorance of contemporary Arabic management and of the historical and philosophical origins of management thought. He reported a study of western motivation theories by Mubarak (1998) who concluded that the idea of motivation was widely theorized by scholars such Ibn Khaldun and El-Ghazzali before the Renaissance period and centuries before the Western industrialization. Ibn Taymiyya, in his book *Assiyasah Ash*-Shar'iyya (Political Jurisprudence) set the foundations of an Islamic economic and management system (see Islahi, 1988 and Ibn Taymiya translated by Holland, 1982). Moreover, Weir (2000: 506) pointed out that 'the practice, which has come to be known in the West since the well-known work by Peters and Waterman (1982), *In Search of Excellence*, as 'management by walking about' is supported and justified among Gulf managers by reference to the practice of the Caliph Omar Ibn Al Khattab, who visited his people to see and hear at first hand their problems and grievances'. Caliph Omar was known for his piety, justice and patriarchal simplicity…his irreproachable character became an example for all conscientious successors to follow. Muna (1980) comments that this interpersonal style 'practiced in the early days of Islam was found to be still effective by some Gulf managers even in today's complex organizations'.

These are historical facts and one has very little to disagree with Weir, Mubarak and many others but it could be argued that the failure of contemporary Arab management is because of its reliance on imported Western ideas and practices rather than developing the type of management that suits them best. It can also be argued that the principles of management in Arab countries are not Arab management but Islamic management which has its origins in Islamic teachings from the Holy Quran and the Sunnah of the Prophet Mohammed. The effects of national differences in terms of economic growth, industrial and technical advancement, regional and structural variations, and organization structures on managerial practices cannot be underestimated. Therefore differences between Arab countries are expected but the common principles of management are or could be that of an Islamic management. From an extensive review of Islamic literature Endot (1995) identified eleven main Islamic values that are related to management and organization. These values, which were adopted by the Malaysian government as part of its model of Islamization policy, are trustworthiness, responsibility, sincerity, discipline, dedication, diligence, cleanliness, co-operation, good conduct, gratitude and moderation. These values can be related to a set of main principles of Islamic management. All these principles are supported with verses from the Holy Quran and sayings from the Prophet Mohammed. In this lecture only a limited number of examples of such verses and sayings are referred to. The main principles of an Islamic management system are as follows.

Intention *(Nya)*
In Islam every act should be accompanied by intentions. Prophet Mohammed said: ‘Actions are recorded according to intention, and a person will be rewarded or punished accordingly’. A person is endowed with free will and is responsible for change in society. The Quran (Chapter 13, verse 11) states: ‘God does not change the condition of a nation unless it changes what is in its heart’. Intention is also related to the reward that a Muslim expects.

Forever mindful of the Almighty God (*Taqwa)*
When imbued with *Taqwa* a person will restrain from behaving unjustly and commands his/her soul to move from the state of *ammara* (the prone-to-evil level), which is the primitive stage that man shares with animals, to the state of *lawama* (self-reproaching level) at which man is conscious of evil and struggles between good and evil by seeking repentance, to the highest level of *mutmainna* (the righteous level) when the mind is perfectly in tune with good deeds, piety and justice.

Kindness and care while feeling the presence of God *(Ihsan)*
A strive to work towards attaining God’s satisfaction and to worship God as if you see Him and sees you. This feeling makes the person behave at his/her best without the need for any human supervision. The value of *Ihsan* is related to the value of *Iman* which is the key Islamic moral character or faith in God.

Justice *(Adl)*
Justice is a virtue that every person should develop regardless of whether he/she is a leader or a subordinate. The Holy Quran states ‘O you who believe! Stand out firmly for God as witnesses to fair dealing and let not the hatred of others to you make you swerve

to wrong and depart from justice…' (Chapter 5, verse 8). In Islam justice must never be affected by personal interests and other considerations.

Trust *(Amana)*

The concept of trust is a core value which governs social relationships as every person is held accountable for hi/her doings in the community. The Holy Quran sates: 'O you that believe! Betray not the trust of God and the apostle nor misappropriate knowingly things entrusted to you' (Chapter 8, verse 27). Trust and truthfulness lead to consultation and delegation of authority to employees (Tayeb, 1997). The leader is '*ameen'* or a trustee who should respect the trust bestowed to him/her by their followers and subordinates. Any act of misuse of resources or mismanagement is seen as a violation of trust.

Truthfulness *(Sidq)*

The concept of *Sidq* implies doing and saying what is right to the best of one's knowledge. It is forbidden to lie or to cheat in all circumstances. There are many verses in the Holy Quran which emphasize the virtues and values of righteousness. Managers as well as subordinates are reminded not to be guided by their personal feelings that may divert them from the right path of justice, care and trustworthiness. They are asked to be patient, to fulfill their contractual duties, to be honest and to work hard while seeking God's pleasure and mercy.

Conscientious of self-improvement *(Itqan)*

This value implies the continuous struggle within oneself for self-betterment by doing good work. Striving to do better all the time requires managers and employees to work harder and improve the quality of their products and services through learning new knowledge and skills. This value is related to a state of passion for excellence (*Alfalah*).

Sincerity and keeping promises *(Ikhlas)*

Keeping to promises is a moral obligation for every Muslim. It is a big sin to not meet one's promises intentionally. Breaking one's word is not Islamic and characterizes a person among the hypocrites. God calls upon the believer, 'O you who believe! fulfill (all) obligations' (Quran, chapter 5, verse 1).

Consultation *(Shura)*

A Muslim manager is required to seek advice and to consult others before making decisions. Taking part in discussions and making suggestions are key leadership values in Islam. The right way to make the best decision on worldly matters, in the absence of a prescribed text, is consultation or *Shura.* It is stated in the Quran that 'their matters are *shura* among them' (Chapter 42, verse 38). This value teaches the Muslim managers to treat their subordinates as their equals and to be humble in their dealings with other people. Pride and arrogance are not the behaviour of a Muslim.

Patience *(Sabar)*

Patience is the highest level of *Iman* (belief in the oneness of God and the Prophet hood of Mohammed). Patience and humility go together in Islamic management.

There is a big difference, however, between what is expected according to the Islamic principles explained above, and what actually takes place in the workplaces in the so-called Arab and Muslim countries. So far there have been very limited examples of national rather than multinational organizations where some, not all, Islamic management principles have been incorporated in their employment policies and practice. It is possible to develop a blend of Western and Islamic management that is suitable for the Arab world. It only needs a balanced approach between forward diffusion and reserve diffusion of management. In doing so the unknown becomes known and the most appropriate model of international HRM is developed.

It can be argued from the above that China and Arab countries have been confronted with globalizing powers of business in similar ways but responded in different ways because of their different experiences, resources and characteristics. The two cases seem to reveal the importance of understanding 'local' labour markets and at the same time the role of higher education in providing management education to prepare managers for global integration. Local markets are changing because of global integration. The changes have required international managers to manage local employees globally and to manage global workforce locally. Higher and further education should play a significant role in developing such managers.

4. INTERNATIONAL HRM: THE IMPLICATION

Global business integration has necessitated the development of global managers. The successful implementation of global strategies depends, to a large extent, on the availability of an adequate supply of well-qualified, properly trained and able employees. Who is responsible for the supply of such employees? I would argue that it is the responsibility of employers who employ them, and the institutions of higher and further education that prepare them.

One of the main features of international HRM is the training and development of all employees not only managers and expatriates. It is also assumed that managers and potential managers, depending on the position and level of responsibility, should have acquired the necessary skills and knowledge for carrying out their jobs before being employed.

4.1.The role of employers

With the increase of business activity worldwide, international employers have come to realise that the key to competitive advantage can only be knowledge. Knowledge is power in organizations that have become increasingly dependent on the ability and creativity of their employees. It is intellectual rather than just physical assets of organizations that can make all the difference to productivity, quality and competitiveness. The successful management of international operations requires the consolidation of an organization culture that is based on a tradition of assessing their international managers' training and development needs regularly, and training them to acquire new skills and knowledge for cross-cultural management. The first task for international employers is to acquire an appropriate pool of international managers and then to prepare them for the task of cross-cultural management as expatriates and local managers.

4.1.1. Acquiring an appropriate pool of international managers

Barlett and Ghoshal (1992) argued that the skills required by organizations operating in a hyper-competitive global market necessitate big changes in the way in which global managers are selected and trained to perform successfully. A successful global manager is expected to possess a combination of technical, functional, social and political skills that have to be developed throughout their managerial career. It is indeed true that finding and retaining such managers in adequate numbers is one of the major challenges for international human resource managers (Black et al., 1999; Schuler et al., 2004). It is also suggested that international managers can be acquired by buying international talents that are comparatively rare, by developing international expertise internally through foreign assignments, although this is a slow process which produces managers with experience of only one organization, or by developing international expertise through concentrated training and experience (Snape, Redman and Bamber, 1994). One of the main strategies for internationalising management is the recruitment of local managers who speak the language, understand the culture and the local political system, and who are ready to work hard and learn new management techniques. This human resource strategy is likely to reduce the risks of employing expatriates in some countries and it could improve the channels of communication between the home and host country employees.

4.1.2. Cross-cultural training and development

As more organizations become more global and diverse in the composition of their workforces it becomes increasingly important to provide cross-cultural training and development to all their employees rather than just managers. Basic understanding and then respect of differences among employees within and between the divisions of an organization becomes a requirement for good employee relations, and it is the responsibility of employers to provide the means for achieving such understanding. Cross-cultural training should be aimed at 'an understanding of one's own culture', reducing aspects of 'stereotypical thinking' about other cultures and at helping employees to build intercultural teams (Ferarro, 1998: 152). Cross-cultural training should include language courses because language can be very helpful for understanding a society (Black et al., 1999; Schneider and Barsoux, 1999). Language training increases ways of communicating and exchange ideas. It is important not only for identifying differences but also for explaining the meanings behind them. It is also true that cultural training or acculturation is facilitated by informal *ad hoc* initiatives of the host working environment and activities such as social gatherings, participating in local festivities and simply listening to the locals.

As the scale of international business operations grows, one of the greatest challenges facing international organizations is developing international managers who operate successfully within a variety of completely different environments. When sending managers abroad as part of their global training programme a number of factors have to be taken into consideration. This requires, first, the use of several pre-departure training and developing techniques such as cross-cultural training, field trips to the country of assignment, case study material of what they should expect, language training, and appropriate preparation for the manager's family. Cross-cultural training of managers involves learning cross-cultural skills, cross-cultural adjustability and cross-cultural job performance. Although the use of cross-cultural training is very important in financial and strategic terms, some studies have argued that only a limited number of international organizations have used it effectively (see Dunbar and Katcher, 1990). One of the reasons for the lack of cross-cultural training is the high turnover and movement of employees from one organization to another and the lack of adequate trainers and training facilities, starting from the institutions of further and further education.

4.2.The role of further and higher education institutions

One of the main objectives of further and higher education institutions is to prepare students for complex forms of work and employment by equipping them with the knowledge and skills sought by employers. However it can be also argued that such institutions are not employment and training agencies and that their role is to enhance knowledge and learning that influence future employers' needs, and which is not only produced in response to them. Although both views are debated and each has its supporters, in practice they are not incompatible and the relationship between higher education and employability is never been stronger as employers look for a range of attributes beyond types and levels of degree obtained.

For business and management-related jobs, employers are looking for more universally transferable communication, analytical, IT and presentation skills that are highly needed as well as knowledge of business and management subjects. Potential managers must have the skills, know-how, and the will to navigate the increasing intricacy of a globalizing business environment. To prepare potential employees with such international transferable skills and knowledge it is important for universities and colleges to offer management education that is international in content and origins, to provide management degrees that include modules in history, geography and religion, to encourage students to study languages, and to develop strong links with industry.

4.2.1. Offering international management education in content and origins

As argued earlier, most management courses that are currently taught in different countries are nationally based and written by Anglo-American academics. The internationalisation of management programmes such as the MBA and other specific masters degrees in management disciplines like accounting, finance, marketing, entrepreneurship and human resource management have led to the production and delivery of a unified brand of management knowledge that is Anglo-American and to a smaller extent European in nature and origins. For example, for many years the MBA has been seen as the programme for the preparation of international managers and it is assumed that those who study for an MBA prepare themselves for a managerial career or at least that it will be their future prospect. However it can be argued that MBA programmes are generally too broad, too abstract and too expensive but still useful when designed with international objectives in mind.

The MBA and other undergraduate and postgraduate management degree programmes that are designed to be international in their content, delivered by international teams of scholars and attended by international cohorts of students can have positive effects on the development of international managers and the enhancement of cross-cultural managerial knowledge and skills. It is important to use textbooks and case studies that are written by authors from different countries, not only Anglo-American and European ones. Exchanges of teaching staff and students between universities at home and overseas will strengthen the development of cross-cultural managers. It is also important to appreciate and encourage the interaction of students with each other in and outside the class, and to benefit from their different experiences and cultural backgrounds.

4.2.2.Providing management courses with modules in history, geography& religion

The development of international managers does not depend just on transferable skills and management knowledge. Knowledge of history, geography and faiths enhances managers understanding of theirs and other cultures. Most, if not all, work-related behaviour is conditioned by history, geography and beliefs. It would be easier for cross-cultural managers to understand the reasons behind their employees' actions when they relate them to historical events, geographical changes and religious beliefs and practices. One of the main problems in international management is ignorance of one's colleagues and subordinates faiths. This is not a claim that every manager has to know all religions and all the history and geography of the world. But it is sensible to offer general modules and workshops in such disciplines besides modules in business and management in order to strengthen managers' awareness. It is important that international managers are aware of the effects of climate change on business. Academics should develop case studies and workshops on the impact of climate change on corporate performance to help develop managers who see the link between business and the environment. Introducing modules and developing workshops on the management of the environment and climate change will be add value to executive MBA programmes.

4.2.3.The teaching of languages

Learning a foreign language is a bonus in the international development of managers. Cross-cultural managers do not have to learn all the languages of the host countries they work in but some basic understanding of the major languages in the world can be very rewarding indeed. Knowing other languages does not just enable managers to communicate with the host country employees, suppliers and customers, it also helps students of management to read what is written in other languages about business and management. One the current problems of management education is the lack of translated books from other languages to English while many English books are translated to other languages. I would agree with Selmer (2001: 16) who pointed out that 'although English is widely spoken in the global business world, the language of business is in fact the language of the customer and that may be something very different from English. Recognizing English as the *lingua franca* of business could be very deceptive as it may obscure cultural differences. Although a business conversation may be conducted in a second language, English, participants certainly think in their own language according to their own cultural norms, which may not be fully comprehended by the native English speakers'. With the globalising power of business and the need to be responsive to local cultures speaking the language of the customer, the employee and the supplier becomes of paramount importance especially when international collaboration between business and universities becomes more important to achieve such understanding.

4.2.4. International collaboration between businesses and universities

There should be more collaboration between universities and businesses at national and international levels because it would help future managers to get hands'-on experience of business and management practice before graduating. Such collaboration between universities and businesses at both national and international levels would improve the content of the programmes delivered, as professionals interact with academics in the provision and delivery. A typical example of such collaboration is an executive programme developed at Cornell University, in partnership with Shanghai Jio Tong University, the University of Ljubljana (Slovenia), and the Universidad Metropolitana (Venezuela). The course links 95 participants from four continents and involves graduate students at four universities and corporate managers from ten companies worldwide. The lead partners were General Motors (US and Shanghai, China) and Petroleos de Venezuela (Caracas, Venezuela). Affiliated partners include Mobitel (Slovenia), Movilnet, Arthur Anderson, Telcel, Hay Group, Intesa, Shell, and UCAB (Caracas, Venezuela). Case studies are evaluated by combined groups of corporate executives and traditional graduate students drawn from the universities, blending theory and practice. Virtual teams are created among participants from different cultures in different geographical locations. Participants thus achieve an understanding of each case study not only within the context of their own culture, but from the perspective of a widely divergent experience base from widely divergent cultures. A global virtual classroom was created by using ISDN, the Internet (video conferencing), and the Web (presentation graphics, course material, chat rooms, etc.). This type of collaboration requires the expertise and the necessary resources to get it to work but once in operation the benefits to both management education and international management are priceless.

5. CONCLUSION

From the theoretical framework and the practical evidence presented in this lecture, it would be a mistake to assume that different countries have to adopt similar practices to help achieve their organizational objectives, as it would be equally wrong to think that each country has to devise its own human resource management policies and practices in isolation from the rest of the world. Transferring Anglo-American and European theories and practices of management to countries, which have their unique cultural values and ways of life, should be undertaken with the utmost care even if that seems to be what the local managers and governments aspire to. In most countries of South East Asia and the Middle East, for example, there are limited signs that values, attitudes, managerial practices and people's expectations are changing under the influence of an increasing global economic integration. The process of global integration is limited by local differences, despite the creation of regional trading blocs for political and economic purposes and the acceptance with eager the forward diffusion of management theories and practices that have potentially limited effects on local economic growth and development. To develop a credible world system of international management, forward diffusion has to be meet with equal acceptance of reverse diffusion and the same as local employees have to be managed globally, global managers have to be managed locally, creasing a balance between global integration and local responsiveness.

I would like to end this conclusion by quoting Ulrich and Black (1999: 36) who said that 'from a global perspective, some strategies make perfect sense. But, when standing on a specific plot of land, that sense is often seen as nonsense'.

I hope that this lecture is a modest contribution to a continuing debate and thank you for your patience and attention.

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