

*The transfer of human resource practices from American and
European multinational companies to their Lebanese subsidiaries:
A study of the host-country effects and of the standardization-
adaptation dilemma*

Thesis

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SAMER FRANCOIS NAKHLE

from Lebanon

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**On the recommendation of
Prof.Dr.Eric Davoine (First Advisor)
Prof.Dr. Dirk Morschett (Second Advisor)**

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ABBREVIATIONS

C & B: Compensation and benefits
DOI: Degree of Internationalization
HR: Human Resource
HRM: Human Resource Management
IHRM: International Human Resource Management
MNC: Multinational Company
MNE: Multinational Enterprise
R & S: Recruitment and Selection
PA: Performance Appraisal
T&D: Training and Development

CHAPTER 1: INTRODUCTION

As more multinational enterprises are expanding their international operations, they are becoming more exposed to and gain experience in the diversity of cultures, customs and practices in each country in which their subsidiaries are located. A Multinational enterprise or company is a company that is headquartered in one country and has significant operations as well as employees in other countries (adapted from: Rugman & Hodgetts 2000).

These multinational enterprises rapidly fall in the dilemma of deciding whether to globally standardize their human resource management approach or to locally adapt their human resource policies. The issue of convergence versus divergence becomes a major concern for these multinational companies (Rowley & Benson 2002; Von Glinow et al., 2002). According to Albrow (1997), globalization is defined as the “diffusion of practices that have an influence on people’s lives worldwide”. It is argued that multinational companies are one of the vehicles diffusing these practices because one important activity for a global MNC is to transfer its practices around the world (Govindarajan & Gupta, 2001). Globalization and international trade and finance make pressures on multinational companies to standardize policies and practices. Standardization is using headquarter practices across international operations to ensure consistency, transparency and an alignment of a geographically fragmented workforce around common principles and objectives (Evans et al., 2002). It is important here to distinguish between a policy and a practice. A policy describes the abstract, strategic, general ideas whereas a practice describes the actual day to day operation or implementation of an HR issue.

Against a backdrop of multinational corporations (MNCs), globalization, emerging markets, increasing internationalization and cross national activity by MNCs, there is a need to focus on the implementation of international human resource management practices and policy making.

Human resource management sets the boundaries for the relationship between the employee and the organization.

Multinational corporations may be identified as the main agents of the globalization phenomena and the internationalization of business (Child, 2000). Such a claim is easily supported by statistics on international trade and business. According to a report by the United Nations Committee on Trade and Development, the estimated value of international production by MNCs and their subsidiaries in 1998 was upwards of \$US 11 trillion as compared to world trade in 1998 of approximately \$US 7 trillion (1999). Such dramatic data emphasizes the importance of understanding international MNCs and their management practices.

MNCs' ability to be competitive in today's international market is contingent to their ability to evolve and adapt key resources to the broadening global playing field. Therefore, strategies to maintain market competitiveness should be developed along with human resource management practices (Tayeb, 1998; Caligiuri & Stroh, 1995; Lengnick-Hall & Lengick-Hall, 1988). When HRM practices are congruent with an MNC's strategies the implementation of business plans are facilitated (Bartlett & Ghosal, 1994; Pucik, 1984) This is due to the direct relationship between business success and the employees of an organization, who make decisions, market and create products, implement programs, etc. Strategic HRM practices are those which maximize an employee's effectiveness in relation to an MNC's objectives. This leaves an excessive portion of success and failure to the HR manager's ability to develop practices which maintain congruence with the overall strategic plan of the MNC within the economical, political, legal, social and cultural constraints of the subsidiary/host country (Milliman et al., 1991). According to Adler (2001), convergence at the global level in terms of economic forces and production technologies may result in divergence at the national level as such forces are mediated by different institutions with their own traditions and deep-seated cultural differences, not susceptible to rapid change. Culture could be defined as the collective programming of the mind which distinguishes the members of one group or category of people from another (Hofstede, 1991).

Another challenge is to change the national mindset in the headquarters towards more international awareness of their subsidiaries local practices. In this study, the transfer of human resource practices of American and European multinational companies to their Lebanese subsidiaries, the degree of standardization versus adaptation of these practices, and the needs for

adaptation are investigated. Adaptation of HR practices is the process of adjusting these practices to respect local cultural values, traditions, legislation or other institutional constraints such as education systems (Dowling et al., 2008). Adaptation is usually related to host country effects which refer to the extent to which HRM practices in subsidiaries are impacted by the host-country context (Dowling et al., 2008). Human resource management includes most human resource (HR) administration tasks, such as payroll, as well as the topics of recruiting, performance management, training, development, compensation and benefits, and also includes labour relations (Dowling et al., 1999).

Although several studies have dealt with HRM policies and practices of MNEs from different countries (Ferner et al., 2001; Kopp 1994), or operating in specific host countries (Chew & Horwitz 2004; Fisher & Haertel 2003; Rosenzweig & Nohria 1994), research discussing international HR processes systematically and in-depth is under-represented (Dickmann 2004). International human resource management includes HRM and adds the challenges of national, cultural and legal differences between the countries of the firms' operations (adapted from: Adler 2001; Briscoe 1995; Dowling et al., 1999).

Field research is still mainly in the form of case studies with comparative and descriptive approaches (Chew & Horwitz 2004; Napier & Vu 1998), as is to be expected in a relatively new field of study (Perry 1998; Zikmund 2000). Furthermore, many previous studies in international management and organisation have a focus on American organisations with fewer studies of European and specifically, French and Swiss multinationals (Adler 2001; Clark et al., 2000) in a Middle Eastern environment. This study addresses these limitations by adding a focus on European MNEs on the one hand and by comparing those to American MNEs on the other hand to understand differences due to home country effects. Home-country effects refer to elements of the behavior of MNCs which can be traced back to the characteristics of the national business system from which the MNC originates (Almond et al., 2005).

While human resource management is nothing new in the west, in the Middle East, that vast area which spreads as far as Iran in the East and Morocco in the west, HR development has just begun to surge. Research in this field is still quite limited in the Middle East, and those studies available focus on largely on economic growth, market forces, or policies, laws and regulations (Mellahi, 2007). A few studies mention the transfer of HRM practices from the West to East. The transfer is the process of applying and deploying a policy or practice from one place, for example HQ, in another place, for example a subsidiary. The success of transfer is the degree of institutionalization of the policy or practice in the subsidiary (adapted from: Kostova 1999).

The empirical studies available about HRM in the Middle East are very few and if found, they primarily focus on the legal side of HRM and how countries set labor laws and enforce these laws on operating national companies. The Middle East, in terms of HRM practices, is quite similar to other developing nations around the world. There is a tendency to emphasize sensitivity to local cultural norms and strict, top-down decision making (Debrah & Budhwar, 2004). There are very few studies about the transfer of human resources practices from multinational companies to their subsidiaries in the Middle East region. This study is first in its kind to deal with the concept of the transfer of human resources practices from European and American MNCs towards their subsidiaries in Lebanon.

Moreover, despite the large number of studies conducted on MNCs, there are still important gaps in the literature. This first gap is the underestimation of the importance of the subsidiary as the unit of analysis. With this focus missing, there is a gap about the practices adopted by the subsidiaries especially with reference to the extent of standardization and adaptation. This study focuses on the subsidiaries as units of analysis by investigating human resource practices used in these subsidiaries and by interviewing the human resource managers of these subsidiaries who are the most aware of the challenges of applying transferred human resource practices from headquarters.

Furthermore, the majority of the studies on the transfer of practices within multinational companies rely on large-scale surveys. Although survey research give insights about patterns, they lack to give a clear distinction between headquarter policy and the actual subsidiary practice. It is argued that more qualitative-based research is necessary to go more into the depth of issues, in this case the human resource practices of the subsidiary. This study has adopted a qualitative-based research and more specifically a case-based research that will be discussed in details in chapter 3.

The originality of the study comes from five different perspectives. This study is:

- 1- The first study to take Lebanon as a host country for American and European MNCs.
- 2- The first study that explains thoroughly Lebanese cultural and institutional effects on human resource practices.
- 3- The first study to describe the interaction of Western human resources practices with Lebanese practices answering questions related to adaptation and integration of transferred practices to subsidiaries in Lebanon.
- 4- A study that takes solely the subsidiary as the unit of analysis to better understand local HR practices.
- 5- A study that fills a gap in the research about HR in the Middle East.

This study addresses the **research question:**

Why and how human resource practices transferred from American and European multinational companies to their subsidiaries in Lebanon are being adapted?

Due to the lack of studies about the transfer of HR practices to Lebanese subsidiaries of American and European MNCs, the research is exploratory in nature. The nature of the research question which investigates the “why” and the “how” of the phenomenon, in this case the adaptation of HR practices had to undoubtedly privilege a qualitative approach (Yin, 1994).

Four underlying **research issues** investigating the extent to which selected American and European MNCs adapt to the local context when transferring their HR practices to Lebanon, are presented and discussed in details in chapter 3. The four research issues are:

- RI1: Which IHRM approach do MNCs headquarters versus subsidiaries currently follow along a continuum from exportive to adoptive and integrative approaches? This research issue aims at understanding which HR approaches are MNCs using in their relationships with their subsidiaries. The research investigates whether American and European MNEs export policies and practices and whether they expect the subsidiaries to adapt policies and practices or expect the subsidiaries to formulate their own practices based on the policies and their respective local conditions (Briscoe 1995; Dowling et al. 1999; Taylor et al. 1996).
- RI2: Which HR practices were adapted? This research issue aims at identifying which HR practices were adapted and whether there are variations among HR practices. It answers the “how” in the research question.
- RI3: What are the cultural, societal, legal and business specific issues behind possible adaptations of human resource practices? This research issue aims at answering the “why” in the research question by understanding the host-country effects.
- RI4: Are there any differences between American and European multinationals in their transfer of human resource practices towards their Lebanese subsidiaries? This research issue aims at understanding the home-country effects of the MNCs studied.

The contributions to managerial practice are discussed in Chapter 7. In this study, it is anticipated that recommendations to MNEs can be formulated, which practitioners in MNEs might be considering when designing international HR systems to enhance the quality of the transfer process in their MNEs. In brief, this study contributes to the fields of international human resource management by extending the boundaries of the existing literature and by adding value for professionals through practical recommendations.

1.1 Home country effect

In this study, it is important to analyse home country effects in order to be able to differentiate American and European approaches to the transfer of HR practices. Home country effects were attributed to the embeddedness of MNCs in the business system of their countries of origin (Ferner, 1997). Several studies have argued that the country of origin affects HR practices in MNCs (Muller-Camen et al, 2001; Ferner, 1997). For example, studies have shown that American MNCs are more formalized and centralized and tend to export into their subsidiaries practices such as pay-for-performance or productivity bargaining (Edwards et al., 2002; Harzing, 2001). Extensive literature has proven that MNCs of American origin tend to be more centralized, standardized and formalized in their international policy making compared to other nationalities (Almond et al., 2005). Moreover, US MNCs tend to disseminate best practices across the globe (DiMaggio and Powell, 1983). According to Ferner et al. (2004), American MNCs are more likely than others to have formalized human resource systems and industrial relations management. According to Edwards and Ferner (2000), home country effects are the strongest in firms that originate in a dominant economy like the USA or Japan. Investigating differences between the American and the European national business systems will allow a better understanding of home country effects on the transfer of HR practices within MNCs originating from these national business systems and therefore draw conclusions about differences in IHRM approaches and control mechanisms.

1.2 Host-country effects

It is also argued that HR practices within MNCs are also affected by the country-of-operation of the subsidiary which is often called the host country (Ferner, 1997; Rosenzweig & Nohria, 1994). In this study, Lebanon is the host-country of ten American and European MNCs. The importance of this host-country in particular is basically due to the total lack in the literature of studies taking Lebanon as a host-country for foreign MNCs. Cultural and institutional host-country effects are mainly investigated to understand how the Lebanese context has shaped the HR practices of foreign MNCs studied. Moreover, Lebanon is also part of a greater area, the Middle East, which is also under researched. The Middle East is a crucial market network for MNCs. Middle Eastern countries are rich, diverse markets with a vibrant and varied cultural

heritage. This area of the world, if studied in the scope of international human resource management, could provide rich and valuable results to the body of knowledge.

1.3 Methodology

This study is explanatory in nature and the scientific paradigm used is critical realism. Qualitative research is applied, specifically the case study method: The methodology is discussed in details in chapter 4, research methodology. The case study method and its application to the problem of “How and why human resource practices are being adapted when transferred from headquarters” is briefly introduced below.

The case study methodology aims at analysing real-life people challenges and uses a variety of evidence (Yin 2003; Zikmund 2000). For this study several sources were used: in-depth interviews, internal documentation of the company and external information which have contributed to the elaboration of an extensive discussion (Perry 1998). According to Yin (2003), the case study should concentrate on one specific and recent part of the business. In this study, the focus is on the transfer of human resource practices from headquarters to subsidiaries in Lebanon.

There are ten main cases which are ten Lebanese subsidiaries of four American multinationals and six European multinationals. Five out of the ten multinationals studied are Fortune Global 500 multinational companies. Each case is fully analysed along the lines of the four identified research issues and discussed in chapters 5 and 6 (Miles & Huberman 1994; Patton 1990), using the technique of within-case analysis and cross-case analysis supported by matrices and tables to provide an overview as well as direct quotations for details.

1.4 Outline of the study

The study consists of seven chapters, following a widely accepted model of presenting doctoral work (Perry, 2002).

Chapter 2 discusses the literature about HRM in MNCs. First it presents briefly research about multinational companies. Then, it presents the human resource management in a mono-national

context. The main HRM approaches in MNCs are then presented: strategic approach, cultural approach and institutional approach. Finally, an integrative framework to the transfer of HR practices is presented.

Chapter 3 presents the context of HRM in the Middle East presenting major studies about this area of the world. HRM in Lebanon and the Lebanese culture are then presented.

Chapter 4 explains the methodology used for this study. The qualitative method is justified along with the scientific paradigm. The case study method is also discussed including the methodology used for data collection and the interviews conducted. Limitations and ethical considerations of the study are also discussed.

Chapter 5 presents the cases in a descriptive way based on interviews and documentation of the companies. Ten case studies of the ten MNCs studied are presented in this chapter.

Chapter 6 analyses the data collected through the interviews and documentation of the companies. The analysis is conducted in harmony with the four research issues and uses the cross-case analysis supported by tables and matrices presenting key data. The chapter links the literature review of chapter 2 and 3 with the analysis of the cases studied.

Chapter 7 draws conclusions and discusses the contributions and limitations of this study. Finally future research needs are identified and discussed.

CHAPTER 2 HRM in MNCs – A LITERATURE REVIEW

This section aims at providing relevant literature review about the multinational company (MNC) or the multinational enterprise (MNE). It discusses the early theories about multinational enterprises in addition to main research streams about multinational enterprises and the role of subsidiaries.

2.1 Research on multinational Companies

2.1.1 Definition of a multinational enterprise and the degree of internationalization

There are several definitions and perspectives for a multinational enterprise in the literature. According to Rugman and Hodgetts (2000), a multinational enterprise (MNE) *is a company that is headquartered in one country and has operations in other countries*. Caves (1982,1996) defines it as *an entity that controls and manages production establishments in at least two countries*. Ghoshal and Bartlett (1990) define it as *a group of geographically dispersed and goal-disparate organizations that include its headquarters and the different national subsidiaries*. Sundaram and Black (1992) provide a more complex definition of the MNE: *“It is any enterprise that carries out transactions in or between two sovereign entities, operating under a system of decision making that permits influence over resources and capabilities, where the transactions are subject to influence by factors exogenous to the home country environment of the enterprise”*.

Dunning (1993) defines an MNE as *“an enterprise that engages in foreign direct investment and owns and controls value adding activities in more than one country”*. This definition became widely accepted and applied in academia, business, national governments and international organizations. However, the essential question is not to identify which firms are international but rather how these firms differ in terms of their internationalization. From here, it is important to identify to which extent these MNEs are internationalized by measuring their degree of internationalization (the DOI). Measuring the internationalization of a company has been the

issue of several research studies (Ietto-Gillies, 1989, 1998 and 2001; Sullivan, 1994). The important question here is to know how to assess the degree of internationalization and what are the criteria, indicators and tools used to measure the DOI. There are several indicators used for measuring the DOI of a company. According to the literature (Perlmutter & Heenan, 1979; Sullivan 1994; Bäurle, 1996), three types of indicators could be distinguished: structural indicators, performance indicators and attitudinal indicators. However, according to Dorrenbacher (2000), there exist different indicators within each of the three categories of indicators. Individual indicators or groups of indicators could be used to measure the DOI.

Structural indicators give a picture about the international involvement of company at a certain time. According to Dorrenbacher (2000), structural indicators might include:

- The number of countries a company is active in
- The number/proportion of foreign affiliates
- The number/proportion of non-capital involvements abroad (e.g. strategic alliances, franchised operations etc.)
- The amount/proportion of foreign assets
- The amount/proportion of value added abroad.
- The amount/proportion of sourcing abroad
- The number/proportion of foreign employees

From a governance structure perspective, internationalization indicators might be:

- The number of stock markets on which a company is listed
- The amount/proportion of shares owned by foreigners
- The number/proportion of non-nationals on the board of directors

Performance indicators measure the success or failure of corporate international activities over a period of time in relation foreign countries. Two indicators are used here: the sales turnover (taking into account demand in foreign countries and amount supplied in foreign countries) and the operating income.

Attitudinal indicators explain how MNCs view foreign countries and treat their subsidiaries. Although these indicators are accused to be not reliable enough (Sullivan, 1994), they might give valuable information about how decisions are taken within MNCs. Perlmutter & Heenan (1979) state: *“External and quantifiable measures such as the percentage of investment overseas or the distribution of equity, are useful but not enough ... The more one penetrates the living reality of how decisions are made in an MNC, the more weight must be given to how executives think about doing business around the world”*. Perlmutter & Heenan (1979) developed a “soft” qualitative indicator which classifies management orientation towards foreign subsidiaries into four categories: ethnocentric (home country-orientation), polycentric (host country-orientation), regiocentric (regional orientation) and geocentric (global orientation). These orientations were studied in the context of different aspects of the company: complexity of organization, authority/decision making, evaluation/control, rewards/punishment, communication/information, recruiting/ staffing. The table 1 below summarizes the three different categories of indicators:

Table 1: Individual Internationalization Indicators

Structural Indicators	<ol style="list-style-type: none"> 1. <u>Relating to foreign activities</u> <ul style="list-style-type: none"> • Number of countries a company is active in • Number or proportion of foreign affiliates • Number or proportion of non-capital involvements abroad (strategic alliances, franchised operations) • Amount or proportion of foreign assets • Amount or proportion of value added abroad • Amount or proportion of sourcing abroad • Number or proportion of foreign employees 2. <u>Relating to governance structures</u> <ul style="list-style-type: none"> Number of stock markets on which a company is listed <ul style="list-style-type: none"> • Amount or proportion of shares owned by foreigners • Number or proportion of non-nationals in the board of directors
Performance Indicators	<ol style="list-style-type: none"> 1. <u>Foreign sales</u> <ul style="list-style-type: none"> • Demand: Amount of foreign sales by customer location Exports from the home country + revenues of foreign affiliates – revenues from exports to the home country • Supply: Amount of sales of foreign affiliates

	<p>Sum of revenues of foreign affiliates</p> <p>2. <u>Operating income abroad</u></p> <p>Sum of operating income of foreign affiliates</p>
Attitudinal Indicators	<p>1. <u>Soft indicators</u></p> <ul style="list-style-type: none"> • Ethno, poly, region, or geocentric management style according to: organizational complexity, authority, decision making, communication flows, recruiting, staffing, control. <p>2. <u>Hard indicators</u></p> <ul style="list-style-type: none"> • International experience of top managers: cumulative duration of the years top managers spent working abroad weighted by total years of their working experience.

Source: Dorrenbacher (2000)

On the other hand, internationalization could be seen from a different perspective: the extent of regional diversification. Several studies were conducted within this perspective. Schmidt (1981) classifies companies on a continuum between a completely homogeneous and a completely heterogeneous distribution of their foreign activities to different countries. Perriad (1995) studied the extent to which the regional distribution of a certain indicator at a given company complies with the total distribution of this indicator in the world. Another way of measuring internationalization from a regional diversification perspective is to identify the number of countries the company is active in through an index called “the network spread index” whereby the number of foreign countries in which a company has affiliates is taken as a proportion of all countries where foreign direct investment has occurred, minus one country, ie the home country of the company (Iietto-Gillies, 1998). Other researchers measured differences between countries which might affect the internationalization behavior of companies taking the geographical and cultural distance between the home country of the company and the host-country of its foreign operations as a basis to analyze internationalization behaviors (Kutschker 1993). Sullivan (1994) for example has developed the “the psychic dispersion indicator” whereby he divided the world into ten cognitive regions relating to management practices. The more a company is active in different zones, the higher the psychic dispersion indicator of its internationalization. The table 2 presents the indicators for the degree of internationalization from a regional diversification perspective.

Table 2: Measurement of Regional diversification

Regional concentration	<ul style="list-style-type: none"> • Homogeneous vs. heterogeneous distribution of foreign activities (Schmidt,1981) • Extent to which the regional distribution of a certain indicator at a given company complies with the total distribution of this indicator in the world (Perriad,1995)
Network extension	<ul style="list-style-type: none"> • Network spread index (Ietto-Gillies, 1998): Number of foreign countries in which a company owns affiliates as a proportion of total number of countries in which foreign direct investment has occurred – one country (=home country of the company)
Geographical and cultural distance	<ul style="list-style-type: none"> • Countries are weighted according to their geographic and cultural distance to the home country (Kutscher,1993) • Psychic dispersion index (Sullivan,1994): Number of zones with different cognitive maps relating to management principles in which a company is active (out of a total of 10 zones worldwide)

Source: Dorrenbacher (2000)

Three different composite indicators are found in the literature. These indicators are: the transnationality indicator developed by the UNCTAD (1995), the transnationality spread index developed by Ietto-Gillies (1998) and the degree of internationalization scale developed by Sullivan (1994, 1996). They are illustrated in the table 3 below:

Table 3: Composite indicators to measure the DOI

Transnationality index (UNCTAD, 1995)	(Ratio of foreign sales to total sales + Ratio of foreign assets to total assets + Ratio of foreign employment to total employment) divided by 3
Transnationality Activities Spread index (Ietto-Gillies,1998)	[(Ratio of foreign sales to total sales + Ratio of foreign assets to total assets + Ratio of foreign employment to total employment) divided by 3] multiplied by number of foreign countries in which a company owns affiliates as a proportion of total number of countries where foreign direct investment has occurred – one country (= home country of the company)
Degree of internationalization scale (Sullivan, 1994)	Ratio of foreign sales to total sales + Ratio of foreign assets to total assets + Ratio of foreign affiliates to total affiliates + international experience of top management + psychic dispersion of international operations.

Source: Dorrenbacher (2000)

However, it must be noted that there is no single indicator or index that could measure the overall internationalization of an MNC. Furthermore, internationalization could be measured not solely through quantitative and qualitative indicators (Tables 1,2,3) but also through typologies for example the typology of Bartlett & Ghosal (1989) which has classified enterprises as international, multinational, global or transnational. An international company centralizes its core functions and decentralizes others, adapts its strategies to take account of local differences, and diffuses knowledge to its foreign divisions. A multinational company operates with a number of decentralized divisions, each operating in its own area and retaining knowledge largely within its own business unit. A global company is centralized, has global strategies, and retains knowledge at the centre. The transnational company has a unified global approach, together with local variations, but it organizes its operations so as to achieve overall global competitiveness and flexibility. Bartlett and Ghoshal (1989) consider the transnational company as the most appropriate type of MNE in an increasingly globalizing world.

2.1.2 Main theoretical approaches

The multinational company emergence could be traced back to the 17th or 18th century. For this section, the focus will be on the 20th century. According to Bartlett and Ghoshal (1998), multinational companies passed through four periods during this century.

Between the two world wars (1920-1950), named by Bartlett and Ghosal (1998) the multidomestic era, many countries have raised their tariffs with the rise of nationalistic feelings. To be able to compete after the launching of these new policies, multinational companies were obliged to set foreign manufacturing subsidiaries that operated independently from their headquarters. After the end of the Second World War II, consumer demand boomed. During this era, named the international era, multinational companies faced the challenge of meeting increased demand and therefore the need for new technologies became crucial. During this period, foreign direct investments, especially American, increased mainly in Europe and some developing countries. Between 1960 and 1980, transportation and communication costs decreased in parallel with a reduction of protectionist policies and an improvement in manufacturing technologies. During this global era, multinational companies focused on

standardizing and centralizing their production to make their exports and foreign investments more profitable. Between 1980 and 2000, tariffs fluctuated but MNCs faced a different challenge: maintaining global efficiency while responding to national specificities of their subsidiaries.

The different periods along with a brief summary of each period are presented in the table 4.

Table 4: Multinational evolution eras

Era (period)	Brief description
Multidomestic era (1920-1950)	MNCs set up large number of foreign manufacturing subsidiaries that are independent from their headquarters for the aim of being able to compete due to high tariffs.
International era (1950-1960)	Consumer demand boomed and a need for new technologies and products to meet this demand pushed MNCs especially American to have foreign investments in Western Europe and developing countries.
Global era (1960-1980)	Protectionist policies decrease, transportation and communication costs decrease and manufacturing technologies improvement made it possible for MNCs to have profitable export and foreign investment of centralized and standardized production.
Transnational era (1980-2000)	Increased recognition of difficulties linked to geographically spread MNC to respond to the needs for global efficiency balanced with national responsiveness.

(Source: Developed for this study)

Following the multi-domestic era, three prominent theories about MNCs emerged: the product-life cycle theory, the internalization theory and the Ownership-Location-Internalization framework.

The product life cycle theory of Raymond Vernon (1966) explains the production cycle of a product. His work was based on empirical studies of American industries in the 1960s. The product life cycle consists of four main stages: (1) when a new product is developed, it targets first high-income domestic consumers following an inelastic demand and production occurs in the

innovating country; (2) When the product becomes widely accepted and highly successful in the country of origin, it is exported to other high-income countries aiming at benefiting from economies of scale; (3) Competition in developed countries increase as the technology becomes known and widely available ; (4) the product becomes more standardized and production is transferred to low-cost locations as price competition increases. The international product life cycle developed by Vernon (1966) is different than the marketing product life cycle although both models could be related. Vernon tried to explain production in an international context and the choices multinational companies take through the different stages of the marketing product life cycle.

In the context of theories about internationalization and imperfect markets, the internalization theory was developed by Buckley & Casson (1976) who proposed a long-run theory for the development of MNEs. As a response to uncertainty and poorly functioning markets, MNEs will try to internalize the production of goods which require extensive research and development efforts coupled with specialized marketing techniques. This is done through retaining ownership using foreign direct investments as these MNEs venture in foreign markets. Buckley & Casson (1976) consider that the most crucial assets that an MNE has during the internationalization process are its knowledge and innovation abilities which can be protected and exploited through foreign direct investments.

John Dunning has developed an eclectic view of the factors that affect the internationalization decision with reference to foreign direct investment. The eclectic paradigm of Dunning (1980,1988), called also the OLI paradigm focuses on the ownership (O), location (L) and Internalization (I) advantages of foreign direct investment as opposed to exporting. The ownership advantages include mainly firm-specific assets such as knowledge and skills, technology, intellectual property, management or marketing competencies and internal and external relationships the company might have. The location advantages include a good geographic location with respect to production costs, market access, psychic and cultural distance and the general political and economic environment. Internalization advantages include the reduced costs of transaction and the ability to protect management know-how and intellectual

property. Foreign direct investment decisions are explained through combining all the factors explained above. The paradigm implies as a matter of fact that companies decide to go international due to organizational and environmental factors.

The three theories are briefly exposed in the table 5.

Table 5: Early theories about MNCs

Theory	Description	Reference
Product-life cycle	Each stage of the product life cycle affects the efforts by the company to internationalize. At the introduction, the company operates domestically with some exports. At growth, more exports and FDI. At maturity, manufacturing facilities in foreign countries to lower costs.	Vernon (1966)
Internalization theory	The MNC will internalize transactions to avoid market imperfections (knowledge) through FDI.	Hymer (1976), Buckley and Casson (1976)
Ownership-Location-Internalization (Eclectic paradigm)	Ownership= exclusive access to market or economy of scale or scope. Internalization= ability of MNC to exploit the ownership advantage by transferring knowledge throughout the organization. Location= country-specific assets such as market size or labour costs.	Dunning (1980,1988)

(Source: Developed for this study)

The previously discussed literature about MNCs lacked knowledge and research about the internal processes of the MNC. Due to this lack, several streams of research appeared to discuss the multinational and the subsidiary management. Five main streams of research are mainly found in the literature: strategy-structure stream, environment-strategy-structure stream, the headquarter-subsidiary relationship stream, the subsidiary role stream and the subsidiary development stream.

The pioneer of the research stream about strategy and structure is Chandler whose work is considered by most to be one of the foundational works that proposed linear and causal relationships between strategy, structure and firm performance. After he published his first research (Chandler, 1962), several researchers conducted research that depended heavily on

Chandler's findings. Chandler (1962) examined the historical development of American corporations. His main finding is a dynamic model of strategy and structure whereby the nature of the environment and the resources of the organization influence the strategy which in turn influences the organizational structure. If the environment and the resources evolve, a new strategy is generated and thus a new structure. He states (Chandler, 1962): "*Strategic growth resulted from an awareness of the opportunities and needs- created by changing population, income, and technology- to employ existing or expanding resources more profitably. A new strategy required a new or at least refashioned structure if the enlarged enterprise was to be operated efficiently*". Stopford & Wellds (1972) and Franko (1976) has built on the work of Chandler (1962) and considered that companies may adopt a variety of structural forms when they implement an international strategy.

Rather than focusing on a one-way relationship between strategy and structure, several researchers have started to study a more contingent relationship between the environment, the strategy and the structure. Research focused on how activities of a firm in one country could affect or could be affected by what is going in another country (Porter, 1986). The dilemma of global integration versus local responsiveness was at the core of these researches (Porter, 1986; Prahalad & Doz, 1987; Nohria & Ghoshal, 1997). Typologies were generated to help MNCs deal with this dilemma. However, the problem was seen from different perspectives: Industrial organizational behaviour perspective of the strategy and structure of an MNC (Porter, 1986, Prahalad & Doz, 1987) and resource-based perspective (Bartlett & Ghoshal, 1989). The most important typology is the four typologies of Bartlett and Ghoshal (1989) based on the integration/ responsiveness framework developed by Prahalad & Doz (1987). The typologies are contrasted based on two types of forces: forces for global integration and forces for national responsiveness which leads to four types of MNC organization: global, transnational, multinational and international. Figure 1 below shows the four typologies developed by Bartlett and Ghoshal (1989). In these typologies, multinational organizations give importance to being responsive to local markets while global organizations tends to standardize on a world wide basis.

Figure 1: Typologies of Bartlett and Ghoshal

High Forces for integration	Global Organization	Transnational Organization
	International Organization	Multinational Organization
Low	Low	High
	Forces for national responsiveness	

This research stream has contributed to knowledge in giving a better understanding of the internal processes and structures within MNCs.

The next research stream, the headquarter-subsidiary relationship has focused on issues related to centralization and coordination between the headquarter and the subsidiary (Gates & Ehelhoff, 1986; Hedlund, 1981). The main argument of Hedlund research (1981, 1986, 1993) was that MNCs shouldn't rely only on formal control to manage their subsidiaries but also on non-hierarchical communication and normative control. He has observed several MNC practices and found out that many of these MNCs are focusing more on shared goals, strong corporate culture and lateral communication with their subsidiaries. Always in the same stream of research, Nohria and Ghoshal (1997) focus on the network relationship between the headquarter and the subsidiary from one side and between subsidiaries from another side. The authors also stressed on the necessity of using informal control mechanisms to build shared values within the organization due to the distinctiveness of each subsidiary. The main contribution of this stream is that several differentiated types of structures were found among the different subsidiaries depending on the distribution of resources. This stream will be the base for the next research stream which has even taken the subsidiary as a sole unit of analysis.

The subsidiary roles were at the core of the fourth research stream. Different models were developed to explain the different roles a subsidiary can take. The first model was developed by

Bartlett & Ghoshal (1986) who studied nine core companies in three industries and a dozen secondary companies from other diverse sectors. According to the authors, most of these companies have developed their international organization based on two assumptions: the “United Nations model assumption” which considers that MNCs treat all their foreign subsidiaries in the same manner and the “headquarter hierarchy syndrome” whereby there is a strong tendency for headquarters managers to coordinate key decisions and control global resources and have subsidiaries act as implementers and adapters of the global strategy in their localities. These two assumptions, as observed by the authors could limit the organizational capability of a company’s international operations. First under the first assumption, the company risks to overcompensate for the needs of less important markets and be under responsive for the needs of important markets. Second, worldwide assets and capabilities might be underutilized. Third, subsidiaries’ managers’ skills and energy might be deprived. To avoid these limitations, the authors developed three roles for subsidiaries whereby the strategic importance of a specific subsidiary is influenced by the significance of its national environment to the global strategy. The role of *contributor* is taken by a subsidiary which has a distance capability but operating in an unimportant market. Management can use valuable expertise provided by the employees of this subsidiary on projects of corporate importance. The subsidiary is an *implementer* when it is operating in a strategically unimportant market but which has enough competencies to maintain its local operation. This subsidiary can be important for the company if it can capture economies of scale that can help advance the company’s global strategy. When the subsidiary is operating in a strategically important market, it can be considered as a partner of the headquarter in developing and implementing strategies and thus it takes the role of *strategic leader*. These models developed by Bartlett and Ghoshal (1986) have contributed to knowledge by showing that subsidiaries can take different roles depending on the strategic importance of the market they are operating in. Therefore, subsidiaries shouldn’t be treated in the same way as previous assumptions have considered.

Another model of roles was developed by Jarillo and Martinez (1990). This model came as a response to the gap in understanding strategies of subsidiaries. The researchers were convinced that developing a model or a framework which can help understand the international strategy at the subsidiary level could be useful in different ways: First, it allows local companies understand the strategies that MNCs are following in their country especially if they want to compete with

these MNCs or act as efficient suppliers; Second, host governments can track what MNCs are doing in their countries; Third, managers in MNCs could categorize easily the different strategies their subsidiaries are taking. The researchers have studied 50 Spanish subsidiaries of MNCs operating in eight industrial sectors and the strategy of each firm in Spain was determined through 11 variables related to all functions of the value chain. Three roles were identified following a two-dimensional matrix: geographical localization of activities (whether functions are performed in the country: marketing, R&D, manufacturing, etc..) and the degree of integration of those activities performed in the country with the same activities in other subsidiaries of the firm (Figure 2). A subsidiary that performs most of its activities in its country could be either highly *autonomous* from the headquarter selling most of its output in its country or very *active* whereby it is very integrated with the headquarter, exporting a large part of its output to the parent company or other subsidiaries. The subsidiary can also be receptive if only few functions are performed in its country and it is highly integrated with the rest of the firm.

Figure 2: Different types of subsidiary strategy

Degree of integration	High	Receptive subsidiary	Active subsidiary
	Low		Autonomous subsidiary
		Low	High
		Degree of localization	

Source: Jarillo and Martinez (1990)

Gupta & Govindarajan (1991) developed another model of roles of subsidiaries based on differences in knowledge flows patterns across subsidiaries. A two-dimensional matrix was developed following two axes: (1) the extent to which the subsidiary engages in knowledge inflows from the rest of the corporation and (2) the extent to which the subsidiary engages in

knowledge outflows to the rest of the corporation. As a *global innovator*, the subsidiary serves as the source of knowledge for other units. The *integrated player* is similar to the global innovator; it creates knowledge that can be utilized by other subsidiaries. Yet, it is not self-sufficient in fulfilling its own knowledge needs so it also needs inflows of knowledge from other units. The subsidiary is an *implementer* when it creates little knowledge and depends heavily on knowledge inflows from the parent company or other subsidiaries. The subsidiary becomes a *local innovator* when it becomes responsible of creating knowledge relevant to the country it is operating in. Yet, this knowledge cannot be used outside the country in which the local innovator is operating. Figure 3 below shows the model of Gupta and Govindarajan (1991).

Figure 3: Variations in subsidiary strategic context: A knowledge flows- based

High	Global innovato	Integrated player
Outflow of knowledge		
Low	Local innovator	Implementer
	Low	High
	Inflow of knowledge	

Source: Gupta and Govindarajan (1991)

For this study, it is important to look at the typology of Birkinshaw and Morrison (1995) since it best link the subsidiary role with the issue of standardization versus adaptation that will be discussed later in this study. The authors describe the subsidiary as a local implementer when there is the lowest level of control from the headquarter and where the subsidiary is very responsive to the local market. This induces the lowest level of standardization within the MNC network. When the subsidiary is largely interdependent and there is a large flow of knowledge between the headquarter and the subsidiary. The subsidiary is designed as a world mandate

where standardized practices prevail. When the subsidiary has an intermediate level of interdependence and control, it is called a specialized contributor.

Taggart (1999) has studied 256 manufacturing subsidiaries of MNCs located in Scotland, Wales, Ulster and Ireland. He followed an autonomy-procedural justice framework to analyze the roles these subsidiaries have. The framework was validated across a range of industry norms and corporate expectations and four roles were developed: vassal, militant, partner and collaborator. The four roles were developed using a two-dimensional matrix (Figure 4): (1) The degree of procedural justice (if high: there is trust between the headquarter and the subsidiary; if low: suspicion and hostility between the headquarter and the subsidiary), (2) The degree of autonomy (if high: feeling of independence, self-confidence and productivity; if low: the subsidiary is more to fall in the wishes of the headquarter and express its own views infrequently). In the case of a *militant* subsidiary, conflicts and disagreements are resolved in the subsidiary’s favor. When the procedural justice is high and the autonomy is high, the subsidiary is a *partner*. It will have excellent relationships with the headquarter but at the same time it is highly proactive. When autonomy is low but still there is a high procedural justice, the subsidiary is a *collaborator* whereby it is more cooperative and pliable. A *vassal* subsidiary role is characterized by low levels of trust and more of a master-servant relationship between the headquarter and subsidiary.

Figure 4: Autonomy-Procedural justice framework

High	Militant	Partner
Autonomy		
Low	Vassal	Collaborato
	Low	High
	Procedural justice	

Source: Gupta and Govindarajan (1991)

Solberg (2000) studied the roles subsidiaries can take from a marketing perspective. He developed a two-dimensional matrix (Figure 5): (1) Market knowledge which is the level of understanding at headquarter of diverse local marketing decisions and (2) Influence on marketing decisions which is related to the extent to which the headquarter coordinates and controls the content of local marketing activities in foreign markets. Four distinct organizational solutions were generated. A *Local barony* is a company with limited market knowledge and a high degree of autonomy. It tends to adapt its communication strategy. The distance between the headquarter and the subsidiary becomes high and the subsidiary tends to develop its on strategy independently from the headquarter. A *confederation* is an alliance of an independent sovereign state in a union of common norms and rules in which the operations are defined and carried out by each state. Confederations tend to adopt a local strategy within the general framework of the company. It is the case of subsidiaries operating in countries where cultural differences are important and where the customization of the strategy is crucial. A *civil war* strategy tends to confront its parent company with “the not invented here” syndrome because of the headquarter insisting on taking marketing decisions despite its little knowledge of the market. This situation could lead to conflicts. A *federation* strategy tends to give central power for the headquarter with little authority for the subsidiary. These companies operate in a single profile in international markets.

Figure 5: Classification of governing strategies in international marketing

Deep Market knowledge	<i>Confederation</i> Conscious development of local strategies; some learning and control	<i>Federation</i> Global strategies in cooperation with local representatives ; learning and control
	<i>Local barony</i> Disparate profiles in different markets ; limited learning and control	<i>Civil war</i> Standardized marketing without market knowledge ; source of conflict
Shallow	Low	High
	Influence on marketing decisions	

Source: Solberg (2000)

The different typologies of subsidiary role are exposed in the table below 6:

Table 6: Models of different subsidiary roles

Authors	Local adaptation	Specialized role	Global activities
Bartlett and Ghoshal (1986)	Local implementer	Contributor	Strategic leader
Jarillo and Martinez (1990)	Autonomous	Receptive	Active
Gupta and Govindarajan (1991)	Local innovator/implementer	Global innovator	Integrated player
Birkinshaw and Morrison (1995)	Local implementer	Specialized contributor	World Mandate
Taggart (1999)	Militant / Vassal	Partner	Collaborator
Solberg (2000).	Civil war/ local barony	Federation	Confederation

(Source: Developed for this study)

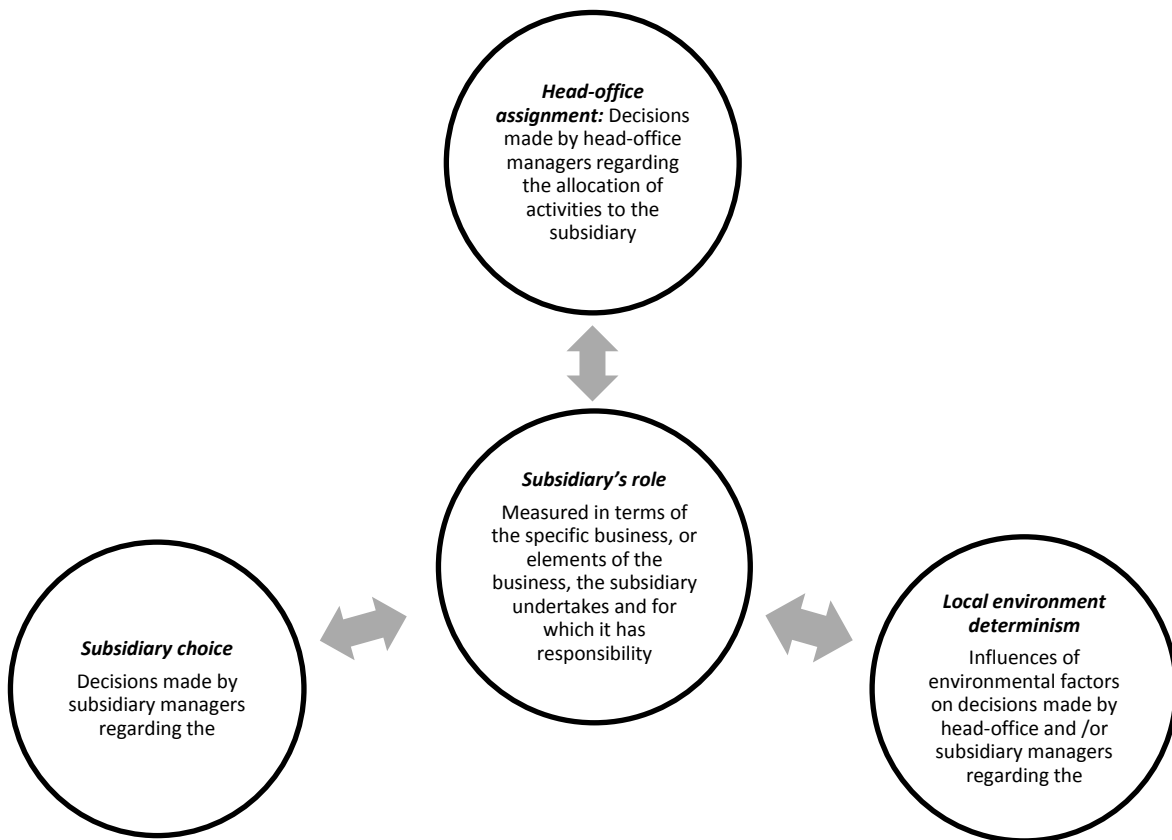
The fifth stream, the subsidiary development, also focuses on the subsidiary as a unit of analysis but instead the role of the subsidiary is viewed as dynamic rather than a static one.

According to Delany (2000), a subsidiary operates in three markets: local, global and internal and take initiatives in these markets which may develop, consolidate or defend their existing position. The development initiatives need to add value for the parent organization which can lead over time to the strengthening of the subsidiary’s contribution to and strategic significance within the corporation. Delany (2000) proposes an eight stage development model for subsidiaries and gives recommendations to MNCs to encourage initiative-taking in subsidiaries and to subsidiaries managers to change their mindset from one of compliance to head office to a proactive initiative taking if they wish to maximize their subsidiary’s value to the parent company.

Birkinshaw & Hood (1998) developed a framework (Figure 6) to explain how the role of subsidiaries evolves over time. He considers that the evolution is “*the result of an accumulation or depletion of capabilities over time*”. Three main factors drive the evolutionary role of the

subsidiary: the head-office assignment, the local environment determinism and the subsidiary choice. The first factor is related to the decisions taken at the headquarter in relation to subsidiaries including decisions concerning resources, technology, level of control or technology. The local environment determinism includes the local constraints that could be a barrier towards the development of the subsidiary for example government regulations. The subsidiary choice has to do with the choices taken by subsidiary managers regarding their level of acceptance of the role and activities and their desire to build innovative strategies.

Figure 6: Framework for subsidiary evolution



Source: Birkinshaw and Hood (1998)

The main contribution of this research stream is that it had focused more on the importance of subsidiaries roles while trying to show that these roles evolve over time due to internal or external factors.

The five research streams previously discussed are presented in the table 7 below:

Table 7: Streams of research about MNCs and subsidiaries

Research stream	Description	Reference
Strategy-structure stream	The structure of the MNC will follow the strategy implemented by the MNC. Some authors went further to analyze the management of the MNC	Chandler (1962), Stopford and Wellds (1972), Franko (1976)
Environment-strategy-structure stream	This stream focused on the contingent relationship between the environment, strategy and structure. Typologies were developed to deal with pressures for global integration and local responsiveness	Porter (1986), Prahalad and Doz (1987), Bartlett and Goshal (1989), Nohria and Goshal (1997)
HQ-subsidiary relationship stream	A change in the relationship between the headquarter and the subsidiary (informal control and lateral communication needed). The network based view of the MNC and subsidiaries also arise.	Gates and Egelhoff (1986), Hedlund (1981,1986,1993), Nohria and Goshal (1997)
Subsidiary role stream	The subsidiary becomes the unit of analysis. Different typologies developed to explain the role of the subsidiary in terms of product flows, knowledge flows or resource flows and research the level of autonomy versus the level of integration (explained in the following table).	Bartlett and Goshal (1986), Jarillo and Martinez (1990), Gupta and Govindarajan (1991), Birkinshaw and Morrison (1995), Taggart (1999), Solberg (2000).
Subsidiary development stream	This stream focuses on how the subsidiary roles change and evolve over time. Some authors argued that the subsidiary should not take only orders, the subsidiary managers should take initiative to build their subsidiary mandate.	Delany (2000), Birkinshaw and Hood (1998)

(Source: Developed for this study)

2.2 Human Resource Management in a mono-national context

2.2.1 Human Resource Management: A definition

Several scholars tried to define human resources management. Storey (1995) defined HRM as a set of policies relying on high commitment management and high performance work systems:

“Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques”.

Boxal & Purcell (2000) defined HRM in a broader way: *“HRM includes anything and everything associated with the management of employment relationships in the firm. We do not associate HRM solely with a high-commitment model of labor management or any particular ideology or style of management”.*

Bacon (2003) agrees with Boxal and Purcell and considers that if HRM is exclusively defined as high commitment management, several companies will be marginalized. He considers that the definition of Storey (1995) as exclusive identifying HRM in contrast to other forms of labor management whereas the second inclusive definition (Boxal & Purcal, 2000) covers all forms of labor management.

Guest (1987) defined HRM as having four key dimensions: commitment, flexibility, quality and integration. The first dimension considers that employees should internalize the goals of the organization and behave accordingly. The flexibility dimension considers that employees should be ready to adapt to any change within a flexible organizational structure. Quality of employees means better organizational performance. Finally, integration refers to always harmonizing human resources strategies with corporate strategy and necessitates that various functions of the human resource management strategy are mutually supportive.

Human resource management (HRM) functions consist of recruitment, selection, training and development, performance appraisal, compensation and labor relations. They are defined as (Milkovich & Newman, 1993):

- Recruitment: Identifying and attracting qualified people to apply for vacant positions in an organization.

- Selection: The process by which companies choose people to fill vacant positions in the organization.
- Training and development: The process by which employees acquire the knowledge, skills, and abilities to perform successfully both in current jobs and in the future jobs they will have in their organizational careers.
- Performance appraisal: The system used by an organization to measure and assess employees' work performances.
- Compensation: The organization's entire reward package, including not only financial rewards and benefits, but also intangible rewards such as job security.
- Labor relations: The continuing relationship between an employer and employees who are represented by labor organizations.

2.2.2 The embeddedness of HRM and HR practices in their national context – The theoretical evidence.

This section tends to define HRM from a different perspective. Its main inquiry is: to what extent HRM is embedded in its national context? How national is HRM? The answer has been the subject of many researches mainly comparative. Although most of the studies in HRM assumed that their findings apply universally (Hickson et al., 1974), that globalization lead to convergence of practices (Geppert et al., 2003) and that US MNCs have disseminated their best practices across the globe (DiMaggio & Powel, 1983), there is a growing literature in recent years, mainly institutionally based, that consider that societies conceive and manage the relationship between the employers and their employees differently (Whitley, 1999). In fact, there are various socio-cultural, economic and political institutions which are responsible for the kind of human resource policies and practices that a country develops or implements (Meyer & Rowan, 1977; DiMaggio and Powel, 1983; Tayeb, 1988, 1993; Storey,1992). From a national business approach, the issue of organizations' embeddedness in their national institutional environment is addressed (Whitley, 1999). According to Brewster (2007): *“Since companies are bound into specific institutional arrangements, varying by country, adapting organizational structures and practices to these national institutional arrangements enables organizations to create and maintain legitimacy. HRM is one of those managerial functions that specifically depend on the respective institutional arrangements and other factors closely linked to the nation state”*. Since nation states and

national business systems are diverse and different, several researches are focusing on comparative HRM. Comparative HRM, at least from an institutional and national business system perspective, reinforces the idea that HRM is embedded in its national context. This point of view is supported by what Brewster (2007) calls “*the contextual paradigm*” which considers that HRM is located in and influenced by its context as opposed to the “*universalist paradigm*” which considers that there is “one best way” that could be applied anywhere (Brewster, 1995; Sparrow & Hiltrop, 1997). Another reason for the embeddedness of HRM in its national context is its linkage with the national culture of this nation state. According to Laurent (1986) and Schneider (1988), HRM is the most vulnerable to cultural differences and this is because it is often designed by members of one culture to handle members of that particular culture. Laurent (1986) reinforces this idea by considering that an HRM system may be meaningful and effective in one culture but ineffective in another. Several researches, mainly culturally based, have attempted to explain how HRM practices vary across cultures using Hofstede’s cultural dimensions (Newman & Nollen, 1996; Schuler & Rogovsky, 1998).

2.2.3 Differences in HR practices across countries and regions- The empirical evidence.

Several researches were also interested in studying HR practices from a mono-national perspective, i.e. studying HR practices of local firms, sometimes showing how these “local” practices differ from practices applied in other countries, i.e. studying HR practices from a cross-national perspective. These studies aimed at showing to what extent HR practices can be “nationally bound” whether from a cultural or an institutional perspective. The literature suggests that companies in different countries differ with respect to their HR practices and policies owing to the business structure (Schuler et al., 1993; Pieper, 1990); the legislative and employment relationship context (Florkowski & Schuler, 1994); the patterns of HRM competence and decision-making (Sparrow et al., 1994); and the national culture (Hofstede, 1991; Trompenaars, 1993; Laurent, 1986, 1993; Newman & Nollen, 1996).

This section aims at showing how each of the HR practices is embedded in its national context through examples of previous empirical studies based on the assumption of Tayeb (1995) that the

'what' question in HRM might be universal (e.g. employee selection), but the 'how' question is country-specific (e.g. relying on in-group networks vs. standardized tests).

2.2.3.1 Codes of conduct

Several studies were conducted to show that codes of conduct are embedded in their national context. Research has focused mainly on how cross-cultural aspects emerge in the implementation of a code of conduct in an multinational's subsidiary. The first research stream has focused on how countries differ in their attitude to business ethics (Christie et al., 2003; Palazzo, 2002; Robertson & Fadil, 1999; Tavakoli et al., 2003; Vitell et al., 1993). The second research stream focused on the differences across countries regarding the content and the attitude towards the code (Arnold et al., 2007; Bondy et al., 2004; Cohen et al., 1992; Lefebvre & Singh, 1996). The third research stream focused on the attitude towards the content of codes of conduct within multinational companies (Carasco & Singh, 2003; Kaptein, 2004). In a study about codes of conduct in American MNCs in Sweden, Helin & Sandstrom (2008) pointed out that the problem was not in the content of the code but rather in the way it is being implemented. Moreover, the process became more difficult because the parent company didn't grant the subsidiary the freedom to adapt the code to the local context. The Swedish employees considered that the content of the code is inconvenient, uncomfortable and too "American". They gave the example of signing the code which they consider too "American" and express their preference of doing things "the Swedish way". The authors ask several questions as to the necessity of adapting the code of conduct to the local context or rather the possibility to reach a balance between what they call universalism and cultural relativism. Another study by Arnold et al. (2007) noted that the structure of ethical judgments vary by country and culture. The authors found out that there are differences in the subjects' perceptions of ethical inappropriateness to activities covered by codes of conduct. Such differences are associated with the subjects' country rather than with the subject's employer, employment level or gender. Robertson et al. (2002) considered that cultural relativism leads to different attitudes across countries regarding ethical problems. Arnold et al. (2007) give a recommendation to MNCs when developing and writing their codes of conduct. They state: *"Companies must be very careful when developing and writing their code of conduct. The notion that a single code applied to the world-wide operations*

of an international company will be interpreted and applied in the same manner must be called into question – even if the operations of that company are limited to a single region such as the economy of the developed countries of Western Europe”. Another research by Adam & Rachman-Moore (2004) studied the attitude of employees towards the code of conduct of an American MNC in Israel. Employees, living in a religious country, considered that they don't need a code of conduct to regulate their behavior. They consider that their own personal values are the true source of moral authority and regard their own personal values as a guide or some sort of a self-regulating mechanism. Another study by Tavakoli et al. (2003) studied the issue of whistle blowing which is often related to codes of conduct. The whistle blowing is a tool used to report to the parent company any violation of the code of conduct. Even when it comes to whistle blowing, the attitudes of employees differ by countries. Tavakoli et al. (2003) considered that in highly collectivist countries such as Croatia, employees display a high degree of responsibility towards the group and they are less likely to use the whistle blowing versus highly individualist countries such as the USA where this kind of tool is widely used in MNCs. Another study by Sneltzer & Jennings (1998) considered that values are not defined in the same moral standards or norms and are culture-specific. They pointed out that sometimes cultural norms for doing business in one country may conflict with codes of ethics established in the USA. Another study by Barmeyer & Davoine (2008) studied the transfer of codes of conduct from American MNCs to their subsidiaries in France and Germany. The study revealed some differences as to the level of resistance observed between the two countries to the code of conduct considered to be a “north American” instrument. Differences were also observed at the implementation and the “living of the code”. The authors give a recommendation to practitioners about the transfer of codes of conduct and they state: *“Very important for a successful transfer of corporate codes were their attitudes towards the national culture of the headquarters and towards cultural differences, their abilities to understand the cultural embeddedness of the tool, their awareness of local cultural specificities, their ability to communicate in a differentiate way on the tool and on the differences between national contexts of the headquarters and of the subsidiaries, and, last but not least, their ability of finding the ways the tool could be useful to their teams, without being too far of the headquarters’ intention”.* All the above mentioned studies show clearly that the code of conduct is embedded in its national context usually the national culture of the MNC's headquarter. Whether at the conception stage or at the implementation stage, the code of conduct

keeps much of its national identity since it is conceived based on values and norms that may be different or even conflicting across countries.

2.2.3.2 Recruitment and selection

In a study conducted by Myloni et al. (2004), HR practices in Greek firms were studied. Knowing that most of firms in Greece are family-owned, the authors consider that the use of systematic HR practices is lower in Greek firms compared to foreign subsidiaries. Recruitment is informal and highly subjective. Selection is centralized and relying mostly on the extended family members where referencing is sometimes more important than educational qualifications or experience. Another study conducted by Bogicevic Milikic (2009) showed how the Serbian culture influences the human resource management practices in the country taking Hofstede's cultural dimension as a reference. The author showed to what extent HR practices are embedded in the national culture. She considered that since the Serbian culture is collectivist, internal recruitment, informal and network based recruitment channels are commonly used. Even selection was found to be affected by the collectivism dimension and would favor non-standardized selection processes, relies on face-face interactions and recommendations by in-group to make sure that the candidate fits with the rest of the company. A study conducted by Huo et al. (2002) revealed that there is divergence in current recruiting practices across the ten countries studied and emphasize the fact that selection criteria are still heavily driven by each country's prevalent cultural values. The study has compared the recruitment and selection practices following two criteria: how these practices are currently being implemented and how they "should be" based on the interviewees in the ten countries studied. For example, in Mexico, having personal connections is the most important factor in hiring; yet, the uses of objective selection criteria are desirable. Another study about recruitment and selection practices in Nordic countries (Sweden, Norway, Denmark and Finland) revealed differences in recruitment techniques, selection criteria and even esteemed characteristics among candidates (Tixier, 1996). The study compares and contrast how CVs are structured, how interviews are conducted and how selection is done to chose the best candidate. Concerning characteristics required, Tixier (1996) states: "*The esteemed characteristics differ according to the recruitment norms as well as by each culture*". In the same logic, selection criteria differ among countries. In Japan,

candidates are selected based on their educational qualifications and are required, after an extensive training program, to fit in any job if called upon. Another selection criteria in Japan is the team member's favorable opinion about the candidate (Huo & Von Glinow,1995) and his right temperament and personality (Evans, 1993). Another study by Child et al. (2001) differentiated recruitment among countries in terms of its duration. In the USA, recruitment tends to be short-term as compared to Germany, France and the UK. On the other hand, recruitment is still long-term oriented if not or life-time. In the USA, selection criteria must be relevant to the job and should predict future performance. Education, past experience, personality traits and cognitive skills are among the most commonly used selection criteria in the USA (Aycan, 2005). Candidates are selected in the USA based on specialism and their ability to fit the already determined position right away; training will follow. As for the UK, candidates are selected on a “broadly-fit the job” basis and then are trained (Tayeb, 2005). In Islamic countries, agreeableness, good interpersonal relations and trustworthiness are among the most important selection criteria (Ali, 1989). Sinha (1997) considers that one of the most important selection criteria in India is the belongingness of the candidate to the same "in group" of the manager such as the homeland or the same family. In Latin America, candidates must have a positive attitude towards family life which is considered a very important criteria when selecting a candidate (Barrett & Bass,1976). In countries which are highly collectivist and with high power distance, recruitment is done based on the Chinese "Guanxi" (ascribed status and socio political connections) more than the merit and the credentials of the candidate (Budhwar & Khatri, 2001). In Korea, the selection criteria are close to China. The selection is done based on the yon-go system (special social relationships or special connection) which emphasizes on the candidate's socio-economic status including family ties, school and birth place (Lee, 1999). In Korea, age is an important selection criteria in a country where hierarchy and status are very important. Superiors are assumed always to be older than their subordinates in order for them to be able to enforce their authority (Lee, 1999). It is also believed that in collectivist cultures, an externally recruited candidate finds sometimes difficulties to join social networks within the company especially if an internal candidate was supported for the position (Bjorkman and Lu,1999). High uncertainty avoidance cultures (low tolerance for risk) prefer internal recruitment. On the other hand, countries where in-group members (family and friends) are favored use word of mouth as a method to announce a job opening (Lee,1999). Assessment centers is a widely used selection

tool used in the USA. However, Briscoe (1997) considers that assessment centers are embedded in its cultural context, its validity and utility differ across cultures and countries. Moreover, performance criteria and test contents in assessment centers must be modified according to the cultural context. For example, Bjorkman and Lu (1999) consider that situational exercises based on "what would you do if" scenarios don't work with Chinese applicants who are not used to think hypothetically. Even interviews which are used in most countries are conducted differently across countries (Huo et al., 2002). For example, in Korea, several managers participate in the interviewing process in order to evaluate the moral character and the ability of the candidate to be a member of the team (Lee,1999). Recruitment and selection methods also differ depending on the institutions present in countries. For example, it is believed that in countries where unions or work councils are present, organizations are pressured to advertise job openings internally (Budhwar and Khatri,2001; Windolf,1986). Recruitment and selection also depend on the labor market of a country which determines whether recruitment should be done internally or externally. Sometimes, finding qualified candidates is a difficult task even in countries with large populations such as China (Tsang, 1994). In countries where transparency and equality are legally required (such as the USA or the European Union), recruitment becomes more formal and bureaucratic (Aycan,2005).

2.2.3.3 Training and development

A study conducted by Drost et al. (2002) compared training and development practices within and across nine countries. The study revealed country specific training and development practices. This study emphasized the importance of context for training and development which once more supports the idea that HR practices are embedded in their national context. For example, it was found that training and development in Japan is basically done using on the job-training where supervisors are responsible for training employees and guiding their development. Training is always viewed positively since it is a tool for career advancement. In a country which emphasizes life-time employment, Japanese companies create a unique context for the skill development and learning opportunities provided to their workers. Other examples included training in Korea which emphasizes molding current and future managers to fit the corporate culture, training in China which has to include courses about the communist ideology, training in

Taiwan which favors managerial training rather than technical training where courses about leadership and interpersonal skills are emphasized and training in Australia where a certain percentage of the company's budget which is decided by the government should be allocated to training. The authors state that: *"The literature suggests that there may be some important differences in training and development practices across countries"*. The study, although it has revealed some similarities across countries, has identified many differences which were mostly country-specific. Another study by Child et al. (2001) differentiated training methods among five countries. For example, in the USA, training is extensive and is mainly course-based. In Japan, training is usually on-the-job. In Germany, training is more technical. Moreover, Tayeb (2005) differentiated between countries in terms of the level of formality of the training programs. He states: *"Training in some countries takes the form of informal apprenticeship, in others is more formalized and takes the form of either in-house tuition or externally provided services, or a combination of both"*. Training and development differ across countries and cultures as to its perceived utility. For example, in countries where there is an emphasis on performance and quality, high budgets are allocated for training and development (Tsang,1994;Wilkins,2001). On the other hand, Aycan et al. (2000) consider that in fatalistic cultures, the perceived utility of training and development is low since managers assume that employees have a limited capacity that cannot be improved. However, in performance oriented cultures, training and development is viewed as essential in improving individual and team performance. Furthermore, even decisions on who will participate in training are sometimes based on criteria other than job performance (Aycan,2005). Employees who are chosen to join training programs (which could be very attractive) could have built good relations with the manager and thus are given this opportunity as a reward for their loyalty (Sinha, 1997). Managers in collectivist cultures might also favor employees who are in their "in-group" to join training programs based on kinship or tribal ties (Wilkins, 2001). Training delivery methods also differ across countries. It is believed that in high uncertainty avoidance and high power distance cultures, employees prefer one-way lecturing rather than participative discussions (Parnell & Hatem,1999). The instructor is perceived as "authority" and should guide and give definite answers (Laurent,1986; Thornhill,1993). In such cultures, top managers are preferred over external consultants or trainers because they instill trust (Wright et al., 2002). Finally, training and development is

sometimes used as a tool to attract qualified candidates in countries where there is a scarcity of talented workforce (Grossman,1997).

2.2.3.4Performance appraisal

In the literature, the effect of national culture on performance appraisal is usually discussed from two perspectives: performance criteria and method of performance (Aycan,2005). According to Myloni et al. (2004), performance appraisal is usually a tough process in Greek firms. It is mainly subjective since employees are usually closely related and the results of the appraisal can be hardly revealed. Myloni et al. (2004) states: “*HR practices in Greek firms, such as planning, recruitment and performance appraisal are to a great extent in accordance with the cultural values of Greek society*”. In another study, the authors state: “*It is evident that Greek firms show a high level of embeddedness in their cultural environment. Practices such as the use of recommendations in recruiting employees, the limited long-term HR planning, as well a reduced use of several performance appraisal practices are still quite widespread even in larger Greek companies*” (Myloni et al. 2003). Other studies used Hofstede’s cultural dimensions to explain variations in performance appraisals across countries. In high power distance countries, which is the extent to which inequality in distributing power is tolerated (Hofstede et al., 1990), performance appraisal only concerns employees but not managers. In such countries, only managers are the source of evaluating employees (Aycan, 2005). In low power distance countries, performance appraisal concerns employees from all ranks and multiple source evaluation techniques are widely used like for example the 360 ° system which uses a variety of raters. This method requires low power distance and high levels of participation (Fletcher & Perry, 2001). Davis (1998) consider that the 360 degree system is not appealing in high power distance countries because seeking feedback from subordinates might weaken the supervisor's authority (Gregersen et al.,1996). This appraisal method is also not appreciated in highly collectivist countries because it is believed to harm group harmony (Aycan,2005). Even self-appraisal in collectivist countries is not appreciated. The emphasis on self and personal achievement might be contradictory with the values of collectivist cultures which emphasize humility in self-presentation (Wiersma and van der Berg, 1999). In high power distance and collectivist cultures, there is usually a reluctance to seek feedback. Feedback is usually initiated

by the superior who is considered to be trustworthy (Huo & Von Glinow,1995), it is indirect, non-confrontational, subtle and private (Fletcher & Perry,2001). It is extremely rare to conduct face to face performance interviews in collectivist cultures (Elenkov, 1998). If the feedback is negative, it is usually not easy to give or receive (Aycaan,2005). Trompenaars (1993) considers that in cultures where the distinction between life and work space is blurred (i.e. diffuse cultures) negative feedback on one's job performance is perceived as attacking the person's personality. For this reason, Seddon (1987) considers that there is tendency to avoid giving negative feedback to save the employee from losing face. Even positive feedback is not well received in collectivist countries since it may also disturb group harmony and cause jealousy (Aycaan,2005) and should come from outside the organization because when managers praise their employees, it could be perceived as self-serving (Triandis,1994). Moreover, the perception of performance could differ between countries. For example, in Middle Eastern countries, loyalty to a superior takes precedence over effective performance as measured by Western criteria (Mellahi, 2003). In collectivist cultures, loyalty to the in-group is more important than productivity. High-performing employees within a group might be disliked by the group and thus might be perceived as disturbing the group harmony and/or might invoke jealousy (Kovach,1995; Tung,1984).

2.2.3.5 Compensation and benefits

Segalla (1998) studied 100 European managers aiming at identifying differences among countries with regard to promotion and remuneration. A main difference was found between German managers who favor promotion based on objective performance criteria and remuneration based on measurable individual performance factors and French managers who promote based on seniority and group loyalty and where remuneration is based on group performance rather than individual performance. A study by Lowe et al. (2002) revealed that employees in the USA, Taiwan, Mexico and Latin America prefer variable pay incentives while their counterparts in Australia and Japan emphasize less this kind of pay. Other studies tried to explain differences among countries in terms of compensation and benefits either from a cultural or institutional perspective. In high power distance cultures, wages and salaries are determined in a subjective way by managers who might assign different salaries for different employees

recruited for the same position (Mendonca & Kanungo,1994). In high power distance cultures, reward is given based on criteria other than performance. These criteria might be seniority or having good relations with managers (Hui and Luk,1997; Leung,1997;Smith & Bond,1997).

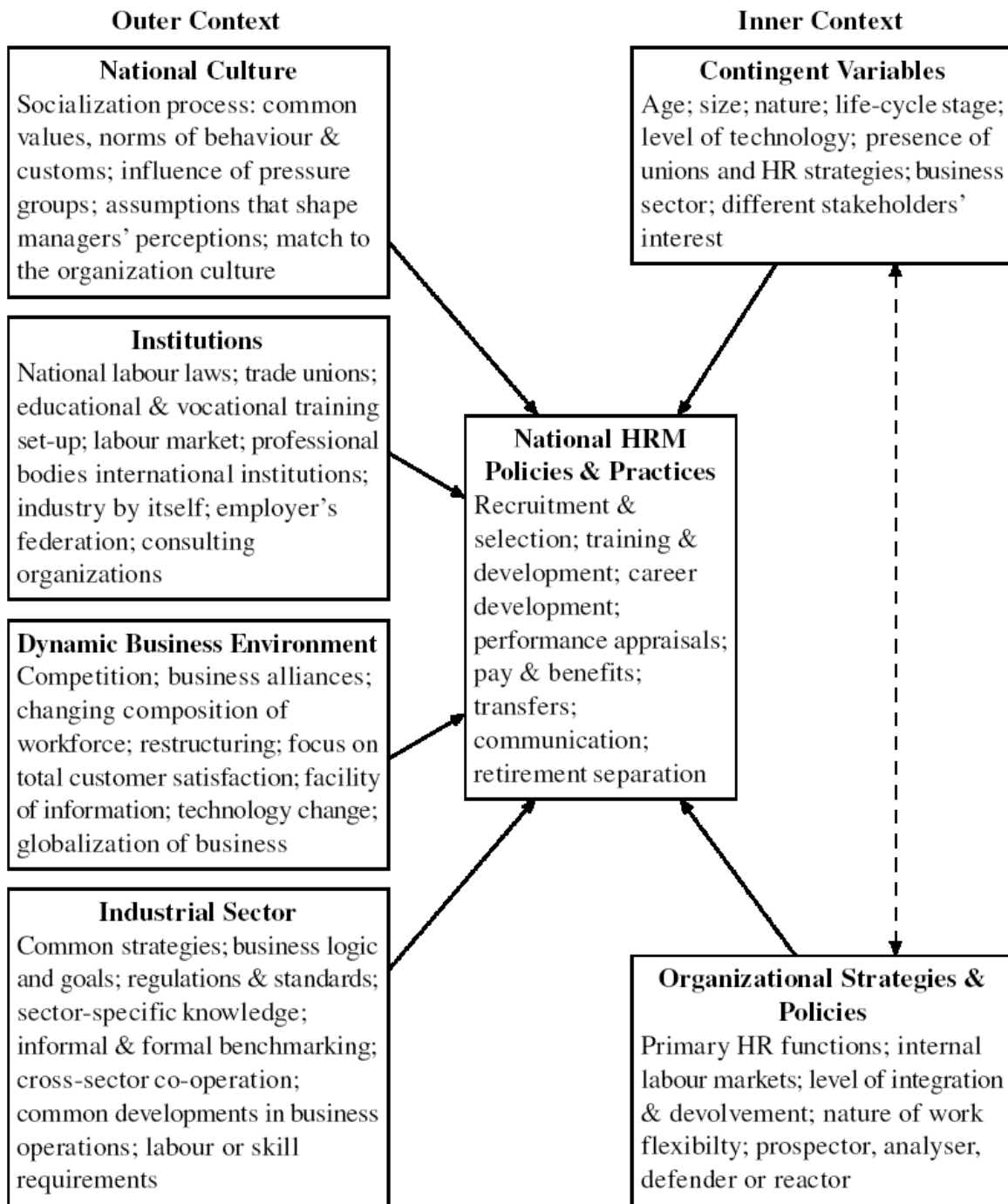
According to Schuler & Rogovsky (1998), seniority-base pay is found mainly in countries with high levels of uncertainty avoidance which is the extent to which people are risk averse or are prepared to take risks (Hofstede et al.,1990). The authors further explain that risk taking managers privilege more performance-base pay whereas risk adverse managers would prefer seniority-based pay. Moreover, it was found that in countries high in individualism which the extent to which the self comes first (Hofstede et al., 1990), individual performance-based schemes are preferred (Jenkins & Klarsfeld, 2002) as opposed to countries with low individualism where group performance-based schemes are privileged. In collectivist cultures, group-based rewards are emphasized (Gluskinos,1988). In the same logic, share options and stock-ownerships plans, i.e., long-term incentives are more appropriate in countries with high individualism and low uncertainty avoidance level (Schuler & Rogovsky,1998). From an institutional perspective, Wachter et al. (2003) consider that the level of importance of labor unions in a country affects the pay systems in that country. Wage differentials also differ across countries and cultures. In collectivist cultures, the difference in wages between high-ranked officials and low-ranked officials is narrow whereas in high individualist cultures and performance oriented culture wage differential is high (Easterby-Smith et al., 1995; Huo & Von Glinow,1995). The presence of unions in countries correlate positively with employment security plans. In countries where unions are powerful, organizations tend to provide employment security plans as part of benefits offered to employees (Mumford, 2000).

In brief, HRM is "national" in the sense that HR practices are embedded in their national context (cultural and institutional context) and thus differ across cultures and countries. As Tayeb (2005) has pointed out earlier in this section, HRM might be universal regarding "what" practices are used but is contextual regarding "how" practices are implemented and "why" they are implemented as such. The next section will explore what are the context-related factors that shape the HRM policies and practices of an organization operating in a specific country.

2.2.4 Contextual model of factors determining HRM policies and practices

Through theoretical evidence (section 2.2.2) and empirical studies (section 2.2.3), it is clear that HR policies and practices are embedded in their national context and differ across countries. From here, a framework that would explain the different factors that shape national HRM policies and practices becomes crucial. Based on several models developed earlier (Begin, 1992; Miles & Snow, 1984; Gronhaug and Nordhaug, 1992; Hiltrop, 1996; Jackson & Schuler, 1995; Murray et al., 1976; Negandhi, 1975; 1983; Schuler et al., 1993; Tayeb, 1995; Welch 1994) and considering the context specific nature of HRM (Lock and Thelen, 1995; Jackson & Schuler, 1995), Budwar and Debrah (2001) developed a comprehensive list of factors that determine HRM policies and practices in countries.

Figure 7: Conceptual model of factors determining HRM policies and practices



Source: Budhwar and Debrah (2001)

The model identifies three levels of factors and variables: the national factors, the contingent variables and the organizational strategies and policies.

Brewster (1995), Hofstede (1993), Laurent (1993), Sparrow (1995) and Tayeb (1995) have focused on the influence of **national factors** on human resources policies and practices including the national culture and institutions

Different aspects of national culture have been identified by researchers:

- The socialization process through which managers are made (Hofstede, 1983; 1993; Schein, 1985; Terpstra and David, 1985; Van Maanen and Schein, 1979)
- The assumptions shaping managers behavior (Hofstede, 1983, 1993; Van Maanen & Schein, 1979)
- Their common values, norms of behavior and customs (Hofstede, 1983, 1993; Keesing, 1974; Tayeb, 1995)
- The influence of social elites or pressure groups unique to a country (Keesing, 1974)

Institutionalists (e.g. Hall & Soskice, 2001; Whitley, 1999; Lane, 1995) consider that the national business system causes the differences in HRM between countries. The national business system includes economics, governance, financial and legal systems and trade unions. The national institutions were found to have an influence on shaping HR policies and practices:

- National labour laws (Brewster, 1995; Sparrow, 1995)
- The structure, density and role of trade unions (Brewster, 1995; Tayeb, 1994)
- The educational and vocational set-up (Sparrow, 1995)
- The role of professional bodies (Torrington, 1993; Zucker, 1987)
- International business institutions (Morishima, 1995; Zucker, 1987)
- Labor-market dynamics and overall preferences for internal or external markets (Benson, 1995; Cappelli, 1995; Osterman, 1994)

- Employers' federations and representative bodies (Powell & DiMaggio, 1991; Scott, 1995; Zucker, 1987)
- The unique ways of doing things and management logic in a particular country, which are reactive of the broader national business system (Sparrow & Hiltrop, 1997; Whitley, 1992)
- Rasanen and Whipp (1992) and Whitley (1992) have identified the effect of national business systems on HRM practices

There are also different **contingent variables** that affect and sometimes determine national HRM policies and practices. These contingent variables are:

- Size of the organization (Cohen & Pfeffer, 1986; Dimick and Murray, 1978; Jackson and Schuler, 1995; Yuen & Kee, 1993)
- Level of technology adopted (Dimick & Murray, 1978; Jackson & Schuler, 1995)
- Age of organization (Dimick & Murray, 1978; Tayeb, 1988)
- Presence of a formal HRM department (Fisher & Shaw, 1992)
- Type of HR strategy (Jackson & Schuler, 1995; Schuler, 1992)
- Representation of personnel on the board (Brewster, 1995)
- Type of ownership (Dimick & Murray, 1978; Tayeb, 1988)
- Existence of training units in the HR department (Fisher & Shaw, 1992)
- Union status (Cohen & Pfeffer, 1986; Fisher & Shaw, 1992; Yuen & Kee, 1993)
- Interests of influential stakeholders (Beer *et al.*, 1984)
- Structure of organization (Jackson & Schuler, 1995; Schuler *et al.*, 1993)
- Life-cycle stage of the organization (Baird & Meshoulam, 1988; Jackson & Schuler, 1995; Hendry and Pettigrew, 1992).

Finally, **strategies and policies of the company** also affect HRM policies and practices (Budhwar & Sparrow, 1997). Two typologies of organizational strategies evoked in the literature are found to influence HR policies and practices. These are the Miles and Snow typology (Miles & Snow, 1978, 1984) and Porter generic strategies (1980). Miles and Snow strategies are: prospector, analyser, defender, and reactor strategies. For example, in the Miles and Snow typology, if the firm takes a “defender” strategy, it will tend to develop current employees for opening positions rather than recruiting externally. As for Porter generic strategies, a company can choose a cost-leadership, a differentiation or a focus strategy. A company that follows a cost-leadership strategy might cut on training budgets for example. According to Budhwar & Debrah (2001) several studies have shown that organizational strategies determine a range of HRM policies and practices:

- Staffing (Guthrie & Olian, 1991)
- Compensation and benefits (Veliyath et al., 1994)
- Employment relationships (Peck, 1994)
- Integration of HRM in the corporate strategy (Budhwar & Sparrow, 1997)
- Type of training and development (Peck, 1994)
- Levels of performance (Guest, 1997)

In conclusion, it could be said that this framework (Figure 7) is helpful in identifying the main determinants of HRM and facilitates the cross-national comparison of HRM. In parallel to the factors that determine national HRM discussed above, the next section discusses the various approaches to HRM in MNCs: strategic, cultural and institutional. However, a definition of HRM in MNCs or IHRM (International human resource management) is necessary at this stage. When human resource management is applied to the international setting, the HRM functions become international human resource management (IHRM). The HRM functions remain the same but their complexity increases. Firstly because the multinational manager has to deal with workers from different nationalities and second he/she has to decide how many of the company’s HRM policies should be adapted within the host country’s environment. The field of IHRM is

about understanding, researching, applying and revising all human resource activities in their internal and external contexts as they impact the process of managing human resources in enterprises throughout the global environment to enhance the experience of multiple stakeholders, including investors, customers, employees, partners, suppliers, environment and society (Briscoe & Schuler, 2004). According to Dowling et al. (1994), “*IHRM consists of a collection of policies and practices that a multinational enterprise uses to manage the local and non-local employees it has in countries other than their home countries*”.

Many researches and authors have confirmed that the international human resource management differs from the domestic human resource management (Dowling, 1988)

This first difference is related to the international human resource department’s responsibilities in an MNC:

- Responsible for a greater number of activities including the management of international assignees.
- Having to know the employment laws of different foreign countries.
- Closely involved in the lives of expatriates and their families.
- Having to deal with a diversified workforce.
- Having to cope with many external influences such as culture.
- Exposed to more problems and difficulties and thus the probability of making mistakes is higher.

The second difference comes for the competency and sensitivity needed from the firm because it becomes geographically dispersed and involved in a multicultural environment. From here comes the need for a skilled HR manager that can handle multiple countries and cultures.

The third difference is related to the HR function itself which becomes more complex. The main function becomes the support of the activities of the firm in each domestic market.

A major dilemma occurs which is the tension between centralization and decentralization of HR practices. This dilemma is not found in the domestic HRM. This issue is discussed later in this thesis but at this stage, it is useful to quote the following statement which illustrates the dilemma of IHRM: *“In order to build, maintain and develop their corporate identity, multinational organizations need to strive for consistency in their ways of managing people on a worldwide basis. Yet, in order to be effective locally, they also need to adapt those ways to the specific cultural requirements of different societies. While the global nature of the business may call for increased consistency, the variety of cultural environments may be calling for the differentiation”* (Laurent, 1986).

From this dilemma, many issues come up and show more why IHRM differs from the domestic HRM:

- How does HRM fit into and contribute to an international strategy?
- Which HRM practices should be designed at headquarter? Which locally? By whom? When international HR teams to be used?
- How does the firm reach agreement on company objectives while allowing variable (national, local) paths to achieving them?
- How much consistency in HRM policies should be insisted on? Which policies should be global and which local? If global, whose laws and cultural practices take precedence? Which are best (for organization results)? What are the benefits to consistency versus decentralization?
- Which nationalities should be represented by key managers at headquarters and in the main subsidiaries?
- How much and which expatriation should be used? Parent country to foreign subsidiary? Foreign subsidiary to parent company? Third country nationals? Foreign subsidiary to foreign subsidiary?
- How should the whole expatriation process be managed? How management potential and performance are judged when criteria differ from country to country?

- How should the management of careers be orchestrated internationally?

These issues have to be addressed while managing the day to day IHRM policies and practices of staffing, training, compensating and performance management (Laurent, 1986).

There are three main enquiries in the field of international human resource management that have been identified in the literature: cross-cultural management, comparative HRM and HRM in multinational companies. The first focuses on the management of employees sent to international assignments. It is descriptive in nature. It tends to provide answers about human behavior within organizations from an international perspective (Jain et al., 1998).

The second emphasizes on describing, comparing and analyzing human resource management systems and industrial relations in different countries (Brewster & Larsen, 1992; Brewster et al., 2000).

The third enquiry explores the implications of the process of internalization on HRM activities and policies. It tends to deal with the management of human resources in multinational companies. This inquiry has focuses on issues related to the transfer of human resources practices from multinational companies to subsidiaries and the factors affecting this transfer basically from a strategic, cultural and institutional perspective (Jain et al., 1998). This third enquiry is at the core of the next section: the main approaches to HRM in MNCs.

2.3 The main approaches to HRM in MNCs

There are three approaches to explain IHRM in MNCs: strategic, cultural and institutional. The strategic approach places IHRM at the core of its international strategy. This approach argues that IHRM should be extended to manage HR and related issues on an inter-organizational and international scale instead of only on an organizational and domestic scale. Novicevic & Harvey (2001) consider that that IHRM should become strategic IHRM or SHRM. According to Taylor et al. (1996), the strategic approach to IHRM aims at understanding human resource management issues functions, policies and practices of an MNC that result from its strategic activity and that impact the international concerns and goals of this company. On the other hand,

the cultural approach sees cultural values as deep-seated and enduring, as varying systematically between societies, and as conditioning what is acceptable organizational practice including HR practices (Hofstede, 2001; Trompenaars & Hampden-Turner, 1997). Child (2002) states: “*The cultural perspective has for some time provided the dominant paradigm in comparative studies of organization [...] Attention to culture has an intuitive appeal to practicing managers, for whom it serves as a convenient reference for the many frustrating difficulties they can experience when working with people from other countries, the source of which they do not fully comprehend*”. Difference in national culture affects organizations in many ways and is seen as central to international human resource management. This approach studies the transfer of HR practices from the perspective of the extent to which transferred practices “fit” the national culture of the subsidiary’s country. As for the institutional approach, the transfer of practices to subsidiaries depends on a set of complex effects linked to the institutional context of the MNC’s country of origin and to the institutional context of the subsidiary country (Barmeyer and Davoine, 2008). Institutional theorists consider that an institution constitute the distinctive social organization of a country and its economy. Institutions and their economic role shape the different national business systems of countries and the variety of capitalisms (Hall & Soskice, 2001; Whitley 1999; 2001). This approach, then analyses the transfer of HR practices within MNCs by comparing the local institutional contexts of the subsidiaries and that of the headquarters called home country and host country effects (Whitley, 1999). This sections aim at presenting the three approaches to HRM in MNCs or to IHRM.

2.3.1 Strategic Approach to IHRM in MNCs

Strategic international human resource management links IHRM with the strategy of the MNC. According to Schuler et al. (1993), Strategic International Human Resource Management (SIHRM) can be defined as: “*Human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises*”. Research in SIHRM has recently dealt with the need of MNCs for flexibility as well as fit (Schuler et al., 2003). “Fit” was defined by Milliman et al. (1991) as: “*The degree to which the needs, goals, objectives, and/or structure of one component are consistent with the needs, goals, objectives, and/or structure of another*”.

component”. As for flexibility, it is defined as “*The capacity of HRM to facilitate the organization’s ability to adapt effectively and in a timely manner to changing or diverse demands from either its environment or from within the firm itself*” (Schuler et al., 1993). Based on these definitions, the core issue that must be addressed by users of SIHRM is the tension between the need for interunit linkages (integration) and the challenges faced by each subsidiary to operate effectively in its local environment (differentiation) (Schuler et al, 1993).

This integration/differentiation dilemma is consistent with what Milliman et al. (1991) have called “internal and external fit”. Balancing these two imperatives (integration versus differentiation) through a well-designed SIHRM system is believed to have performance implications for both the MNC headquarter and the individual subsidiaries (Kobrin, 1992). This section will present the factors that influence the design of SIHRM of an MNC in addition to the different strategic IHRM orientations that an MNC’s headquarter can take towards its subsidiaries.

2.3.1.1 Contingency factors and IHRM

Several conceptual models of factors were developed to explain and predict how MNCs might conduct IHRM on an abstract level from a macro, strategic level (Adler & Ghadar 1990; Evans & Lorange 1989; Evans et al. 2002; Milliman et al. 1991; Nankervis et al. 2002; Schuler et al. 1993; Taylor et al. 1996; Welch 1994).

Authors who developed early conceptual IHRM models have argued that an MNC should find a harmony between its overall strategy and its IHRM policy rather than identifying the best overall IHRM policy (Adler & Ghadar 1990; Milliman et al. 1991). Later models have identified several internal and external factors that influence an MNC’s choice of IHRM system. Specified factors include:

- The industry in which an MNC is operating (Schuler et al, 1993, 2002)
- The MNC’s international life cycle and experience (Adler & Ghadar 1990; Milliman et al. 1991; Nankervis et al. 2002; Schuler et al. 1993, 2002; Taylor et al. 1996).
- The organizational structure (Schuler et al. 1993, 2002).
- The headquarters’ international orientation (Schuler et al. 1993, 2002; Taylor et al. 1996)
- The host country’s cultural and legal environments (Adler & Ghadar 1990; Schuler et al. 1993, 2002; Taylor et al. 1996; Milliman et al. 1991).
- The resources or strategic role of affiliates and certain employee groups (Taylor et al. 1996; Naverkis et al. 2002).

Schuler et al. (2002) assume that there is a need to consider multiple levels of analysis to study IHRM, including the external environment, the industry, the firm and the individual. Their study focuses on the headquarters’ international orientation, the home and host country’s cultural and legal environments and the roles of the headquarter and subsidiary staff in the transfer process.

It is important to note that early IHRM strategies linked IHRM policies and practices to single factors. These factors are shown in Table 8:

Table 8: Examples of IHRM single factors model

Factor	Author
Strategy	Pucik 1984; Porter 1985; Doz & Prahalad 1986, Evans 1986, Dowling & Welch 1988; Lengnick-Hall & Lengnick-Hall 1988
Structure	Stopford & Wells 1972
Senior management’s attitude towards internationalization	Perlmutter 1969; Perlmutter & Heenan 1974,1979
Stage of internationalization	Perlmutter & Heenan 1979; Bartlett & Goshal 1989; Adler and Ghadar 1990
Organizational life cycles	Milliman et al. 1991

Source: Adapted from Shen 2005

Pucik (1984) considered that HRM practices are a critical factor in the success of international operations of an MNC. MNC's global strategy must be carefully translated into specific IHRM objectives and goals. He linked the corporate strategy to IHRM. According to Pucik (1984), IHRM objectives vary across the different phases of the product-life cycle (explained earlier in this chapter). Pucik (1984) has given several recommendations to American MNCs as they become more internationalized. For example, he considered that U.S. MNCs should improve their staffing practices as competition and change increase. MNCs should take greater advantage of their competitive advantage of having access to a large number of foreign students in U.S. universities. Second, U.S. firms can benefit by more carefully evaluating their longer term staffing needs and seek to fill future positions in the corporation rather than always hiring for a particular position which is needed immediately. Third, greater consideration may be given in recruiting geographic area specialists and nationals rather than focusing first on technical specialties (e.g. finance, accounting, etc.) as often is the case. According to Pucik (1984), appraisal systems play an important role in determining compensation in U.S. international firms and should ensure that performance is linked to corporate strategy so that employees receive appropriate levels of rewards. The role of senior management and the personnel department is then to translate the MNC business strategy to strategic IHRM objectives. Dowling and Welch (1988) consider that IHRM operates in a more complex environment and therefore it involves a greater diversity in activities and population. They consider that awareness about the importance of HRM variable in international operations should be increased. HR managers should be involved in decision-making so that HR activities become aligned with the overall strategy of international growth. IHRM should be linked to long-term strategic planning. Porter (1985) argued that human resource management can help a firm obtain competitive advantage by lowering costs, by increasing sources of product and service differentiation, or by both. Lengnick-Hall & Lengnick-Hall (1988) proposed a typology that stresses on the reciprocal interdependence between a firm's business strategy and its human resources strategy. They state: *“Both human resource strategy and business strategy are seen as composite outcomes because in each, many functions, events, and relationships influence organizational results [...] If a strategic human resource management perspective is adopted, then human resource considerations must be intimately linked with strategic choices. This view assumes that the human resources are critical to achieving competitive success”*.

From another perspective, yet still linking IHRM to a single factor, Stopford & Wells (1972) linked structure to IHRM strategies. They consider that companies may adopt a variety of structural forms when they implement an international strategy. In the initial stage of the international expansion, foreign sales are an extension of domestic sales. As product diversity increases, companies move from the simplest structures to world-wide product division structure. On the other hand, when foreign market involvement (measured by the percentage of foreign sales) increases, firms tend to adopt worldwide area division structure. Finally, when both product diversity and foreign sales were high, an MNE would follow a matrix/mixed structure. With greater international experience, the parent company of an MNC may develop a more cosmopolitan and less parochial relation with its subsidiaries. These different structures have implications on IHRM especially on staffing practices in subsidiaries.

As for Perlmutter (1969) and later Perlmutter & Heenan (1974, 1979), they linked the senior management attitude towards internationalization to IHRM strategies. The EPG (Ethnocentric, polycentric, geocentric) model was developed to explain how senior management can take one of the three SIHRM orientations based on the perceptions they have regarding internationalization. If the general attitude of senior management is that nationals from the organization's home country are more capable to drive international activities forward than non-native employees working at its headquarters or subsidiaries. The practices and policies of headquarters and of the operating company in the home country become the default standard to which all subsidiaries need to comply. The MNC is therefore choosing an ethnocentric IHRM orientation. If senior management believes that local people know what is best for their operation and should be given maximum freedom to run their affairs as they see fit. The MNC in this case is choosing a polycentric IHRM orientation. Finally, if senior management believes that nationality is not an important variable. Within legal and political limits, executives try to seek the best men, regardless of nationality, to solve the company's problems wherever in the world they occur.

Other authors related the stage of internationalization of an MNC to IHRM strategies. The best known research is that of Bartlett & Ghoshal (1989). The authors conducted an in-depth study of nine companies from three countries operating in three industries with worldwide interests. Both personal interviews and survey questionnaires of key personnel were employed to develop a typology of organizations operating in the international business environment. Based on their results, these scholars identified four forms of organizations used to manage international

businesses. They labeled these the multinational, global, international, and transnational corporation. The main contribution of Bartlett & Ghoshal (1989) outlined that multinational corporations (MNCs) should aim for local responsiveness, global efficiency and worldwide innovation and suggested that there are four international configurations of MNCs. The authors argued that transnational human resource management (HRM) is the key to achieve the above aims simultaneously. This typology was explained earlier in this chapter.

Milliman et al. (1991) linked the organizational cycle to IHRM strategies. The authors used the organizational life cycle to assess what various units will need in terms of IHRM. The four organizational life cycle stages are organization initiation, functional growth, controlled growth, and strategic integration. In the initiation stage, most personnel practices are handled by line managers, and the major IHRM emphasis is on basic recruitment and compensation programs. During the next stage, the functional growth, the firm develops a formal personnel department. MNCs at this stage are still likely to value short term cost savings over long-term career development of expatriates. At the third stage, the controlled growth, the MNC is likely to emphasize IHRM practices that will achieve tight integration and control of its overseas operations. At this point, human resource practices are characterized by professional management and the use of advanced analytical tools. During the fourth stage, the strategic integration, MNC start to face an increasing worldwide competition to survive, it must have a long-term view and develop a cadre of expatriates who can guide it with a global vision at both the subsidiary and corporate levels. At this stage, the human resource management function must be integrated with other functions such as accounting, marketing and operations. At this stage, the MNC should develop a global strategy but at the same time should become sensitive to the host countries of its subsidiaries.

Later, scholars began to build on the previously cited single factor models and identified multiple factors that included external environmental factors and organizational characteristics linking these factors to MNCs choice of IHRM orientation. Researchers advocated that generic IHRM models that explore IHRM policies and practices and their relation to multiple intervening factors could be built. (Schuler et al. 1993; Taylor et al.1996; Schuler et al. 2002)

The literature includes five major integrative IHRM models summarized in Table 9. These models have contributed towards the enhancement of the linkage between IHRM policies and practices and multiple factors.

Table 9: Factor and integrative IHRM models

Models	Factors
Two Logics approach (Evans & Lorange 1989)	Product-market and socio-cultural factors
An integrative framework for international strategic human resource management (Schuler et al. 1993)	Industrial characteristics, country/regional characteristics, structure of international operations, headquarters international orientations, competitive strategy and experience in managing international operations
Two dimensions of IHRM (Paauwe & Dewe 1995)	Product, market, technology, social, cultural and legal factors
An integrative model of strategic international human resource management (Taylor et al. 1996)	International strategy, top management’s perception of HRM competence and generalizability, national origin, the relative importance of the affiliate, type of investment, host legal and socio-cultural factors and the employee group’s criticality.
An integrative model of strategic international human resource management (Dowling et al. 1999)	Industry characteristics, country/regional characteristics, inter-organizational networks, MNE structure, organizational and industry life cycle, international entry mode, MNE strategy, experience in managing international operations, headquarters international orientation

(Source: adapted for this study)

Evans & Lorange (1989) investigated the following research question: “How can a corporation operating in different product markets and diverse socio-cultural environments effectively establish HR policies? To answer this question, they developed two logics for shaping HRM policy: product-market and socio-cultural logic. Under the product-market logic, the different stages of the product life cycle (explained earlier in this chapter) require different types of managers. Under the socio-cultural logic, the authors propose two strategies for dealing with cultural and social diversity basing their work on Perlmutter (1969). The first strategy, called global, the company’s culture predominates and human resource practices are centralized and standardized. The second strategy, called polycentric, decentralizes the responsibility for human resource management and leaves it for subsidiaries.

Schuler et al. (1993) differentiated between two sets of factors that affect IHRM: exogenous (growing by successive additions to the outside) and endogenous (increased by internal growth and formed within). These factors are found to influence IHRM strategies and policies. Exogenous factors include factors such as industry characteristics, country/regional characteristics and country culture whereas endogenous factors include the organizational structure of the MNC, the international entry mode, the headquarters' international orientations and the experience in managing international operations. Taylor et al. (1996) developed the work of Schuler et al. (1993) by defining factors that influence IHRM strategies at three different organizational levels: corporate level, affiliate level, employees' group level. At each level, different independent variables influence IHRM policies and practices. They go further by explaining that the MNC can choose to diffuse its HR practices if it believes these to be generalizable across subsidiaries. They argue that different levels of integration and responsiveness within a MNC's IHRM policies and practices are affected by the overall strategic IHRM system orientation and the degree of similarity of subsidiaries' HRM systems to the parent company's HRM system at the corporate level as well as at the subsidiary level. It is important to note that Taylor et al. (1996) believe in an integrative approach to HRM in MNCs meaning that MNC should share best practices from all parts of the organization to create a world-wide system. As for Dowling et al. (1999), they considered IHRM activities in MNCs are influenced by both endogeneous and exogenous factors. Multinational structure refers to both the structure of international operations and to intra-organizational networks and mechanisms of coordination. The life cycle stage of the firm and the industry in which it operates are important influences for SHRM in multinationals as are international entry modes and levels of firm strategy. The most intangible endogeneous factors are experience in international business and headquarters' international orientation.

The above integrative IHRM models indicate a strong consensus on the "best fit" approach to IHRM policies and practices. IHRM policies and practices are considered effective only when coordination, responsiveness and organizational learning are reached simultaneously. In order to reach this three dimensional goal, the MNC needs to take into consideration various factors including the subsidiary's characteristics and the environment in which it operates. According to

Pucik (1984), going “international” and operating in several countries has affected deeply the corporate human resource management activities

Internationalization and globalization have two implications on IHRM. The first implication is to build, sustain and learn through transnational networks to urge managers in acquiring new skills. This also imposes new challenges on the firm’s HRM strategies and systems (Adler & Bartholomew 1992). IHRM makes a multinational organization efficient and effective because it enables the MNC to deal with and control cross-cultural issues that are both internal and external to the organization (Adler & Ghadar 1990). Second, internationalization raises a set of issues related to the management of workforce across the borders, the degree of centralization and the degree of managerial autonomy (Schuler et al. 1993; Taylor et al. 1996).

The dilemma of integration versus differentiation is of growing importance in the debate on strategic IHRM. An effective MNC tends to keep its operations across the world differentiated but at the same time integrated, controlled and coordinated (Milliman et al.1991; Bartlett & Ghoshal 1992; Schuler et al.1993).Brewster (2002) argues that simultaneous concerns for being global, transferring learning and being multi-domestic generate important issues relevant to IHRM. Ohmae (1990) described the same concept as “global localization”. Phatak (1992) created a new terminology “glocalization” which means thinking globally and acting locally or “strategic fit” and “flexibility” (Milliman et al.1991; Schuler et al.1993). Welch (1994) considers that if an MNC wants to retain its overall identity and strategies could benefit from a global, geocentric orientation in personnel policies and practices. In order to remain responsive to local variations, it should have a polycentric IHRM orientation. It is important to recall the statement of Schuler et al. (2002): “The purpose of IHRM is to enable the MNC to be successfully global. This entails being: (a) competitive through the world; (b) efficient; (c) locally responsive; (d) flexible and adaptable within the shortest of time periods; and (e) capable of transferring knowledge and learning across their globally dispersed units. This dilemma of choosing between global integration and local responsiveness is expressed in Heenan & Perlmutter’s (1979) language in terms of four possible strategies: (1) ethnocentric, (2) polycentric, (3) regiocentric and (4) geocentric. This dilemma is also expressed using the three different orientations to IHRM

in MNCs: exportive, adaptive and integrative (Briscoe 1995; Dowling et al. 1999; Taylor et al. 1996). These different strategies and IHRM orientations are further explained in the next section 2.3.1.2: IHRM orientations in MNCs.

2.3.1.2 IHRM orientations in MNCs

Taylor et al. (1996) define an MNC's SIHRM orientation as: *“The general philosophy or approach taken by top management of the MNC in the design of its overall IHRM system, particularly the HRM systems to be used in its overseas affiliates”*.

There are three different IHRM orientations in MNCs: exportive, adaptive and integrative (Briscoe 1995; Dowling et al. 1999; Taylor et al. 1996)

An **exportive** IHRM orientation is when the MNC chooses to transfer its HRM system to different subsidiaries. MNCs choosing exportive orientation are seeking integration across all subsidiaries. The disadvantage of this approach is its inflexibility. Subsidiaries might be opposed to the imposed practices (Adler 2001; Taylor et al. 1996).

MNCs choosing the **adaptive** IHRM orientation allow subsidiaries to develop their own HRM system reflecting the local environment. The key word in adaptive IHRM orientation is differentiation. There is almost no transfer of HRM philosophy, policies or practices either from the parent company to its subsidiary or between subsidiaries (Taylor et al. 1996). The main disadvantage of this orientation is that MNCs lack globally valid standards (Roberts, 2000).

The third IHRM orientation is **integrative** where there is a combination of the parent's company's HRM system with those of subsidiaries. This approach aims at taking the “best” HRM approaches and uses them in the organization. In this case, the transfer of HRM policies and practices can occur in any direction between the parent company and the subsidiary or across subsidiaries (Kostova 1999; Taylor et al. 1996).

It is important to note at this stage that there are different types of employees in the multinational organization that IHRM should take into consideration. Local workers coming from the host country where the subsidiary is located are called host country nationals (HCNs). Expatriates are employees who come from a country different than where the subsidiary is located. Expatriates who come from the parent multinational's country are called parent country nationals (PCNs). Expatriates who come neither from the home country nor from the host country are called third country nationals (TCNs).

Multinational companies have different options to develop the appropriate IHRM policies for the implementation of multinational strategies. Multinationals can choose between four IHRM orientations with respect to strategy and staffing of senior management positions abroad: ethnocentric, polycentric, regiocentric, and global (Heenan & Perlmutter 1979). These orientations explain the company's philosophy for coordinating their IHRM activities. These orientations also set the degree of domination of the MNC headquarters over subsidiary management and HR practices as compared with the degree of integration of subsidiary practices and cultures into those of headquarters and other subsidiaries.

The “**Ethnocentric IHRM orientation**” allows the parent company to maximize control in order to integrate subsidiaries while neutralizing local responsiveness or adaptation. Under ethnocentric approach all aspects of HRM for managers and technical workers should follow the parent organization's home country practices. In recruitment, parent country nationals are assigned for key positions and selected according to their past performance and expertise in the home country (Adler & Ghadar 1990). This orientation is common when starting a new venture or when technical skills cannot be found in the home country (Tung & Punnet 1993). IHRM is responsible for finding suitable expatriates to fill overseas assignments. However, the literature suggests that there is a high turnover rate among expatriates and that succeeding in international assignments is not necessarily related to success in the home country (Tung 1982). Another constraint is cost associated with sending expatriates abroad and the legal limitations that might interfere or hinder the expatriation process of such MNCs because of strict foreign employment laws. On the other hand, MNCs expect from expatriates to transfer the organizational culture and

the philosophy of the parent company to home country nationals by working with them and through the socialization process (Edstrom & Galbraith 1977; Egelhoff 1988; Torbiorn,1985). This socialization process might not always work in the right direction. Instead, expatriates might be socialized by the host country nationals' culture (Lee & Larwood 1983). Evaluations and promotions use home country standards to evaluate managers. However, when evaluating HCNs, the multinational might be forced to adapt using different approaches in order to respect national context variations. This adaptation has little effect on the ethnocentric company's procedures for promotion beyond the lowest-levels of management.

When an ethnocentric IHRM company uses expatriates, training for the international assignment is often limited or nonexistent except for top country-level or region-level positions. The use of parent company evaluation and promotion standards, the lack of training and the short periods of expatriate assignments limit the cultural adjustments of the expatriate to the host country's culture. In rare cases, expatriate managers from the parent country know the host country's language.

Another issue related to the ethnocentric approach is that expatriate managers face a problem in communicating local needs to headquarters since ethnocentric organizations take most of the key decisions at home. Expatriates might feel isolated with little ways of communicating with higher-level managers. These factors might have a negative effect on the careers of managers in subsidiaries.

According to Dowling & Welch (1988) the ethnocentric IHRM policies might have the following benefits and cost:

Benefits:

- Little need to recruit qualified host country nationals for higher management: HCNs will hold only lower and middle level management positions hurting against a glass ceiling that obstruct them for higher-level management positions.

- Greater control and loyalty of parent country nationals: PCNs will be loyal to the parent company knowing that it is driving their careers which makes them rarely identify with the local country subsidiaries.
- Little need to train parent country nationals: Managers follow headquarters policies in staffing and evaluating.
- Key decisions centralized: Personnel decisions are made at the headquarter.

Costs:

- May limit career development for host country nationals: The talents of HCNs might be wasted and HCNs might never get beyond the glass ceiling.
- HCNs may never identify with the parent company: Knowing that there is a glass ceiling that blocks their advancements, HCNs might have more commitment to the local company or subsidiary rather than to the parent company.
- Expatriate managers are not well trained to take international assignments which might make them fall in mistakes.
- Expatriates may have limited career development because international assignments may hurt their career.

Multinationals following the “**polycentric IHRM orientation**” are more responsive to the host country’s differences in HR practices. Companies with polycentric IHRM approach treat each country-level organization separately for HRM purposes. Host country nationals usually manage subsidiaries with some coordination with the headquarters. Expatriates are rarely involved in such orientation which limits their opportunities of being assigned abroad. Similarly, host nationals will not have the opportunity to socialize with home country nationals and thus get to understand better the organizational culture. In polycentric approaches, building a common corporate culture is not a priority (Heenan & Perlmutter 1979).

Multinationals which chose a “**regiocentric IHRM orientation**” tend to adopt region-wide practices instead of country-level practices. In this orientation, third-country nationals might be selected, hired and developed on regional basis. Similarly, qualifications upon which host-nationals or region-nationals are selected depend on local or regional standards. However, the manager of the subsidiary is expected to communicate in the language of the MNC’s headquarters national language. Polycentric and regiocentric multinationals usually choose parent-country nationals for top positions or technical positions. Their role is to control overseas operations and to transfer technology to production sites in the host country (Adler & Ghadar 1990). However, the, main difference with the ethnocentric approach is that the polycentric IHRM company favors local procedures and standards for evaluating and promoting host-country nationals (Adler & Ghadar 1990).

In these two orientations, managers of subsidiaries benefit from a certain decentralization that allows them to determine the needs of their employees and develop their evaluation and promotion criteria. The local organizational culture also affects these evaluation and promotion procedures. Regiocentric IHRM companies develop regional standards for evaluation and promotion.

Dowling & Welch (1988) consider that polycentric and regiocentric IHRM policies have the following benefits and cost:

Benefits:

- When host-country nationals or third-country nationals are hired, training costs are reduced since expatriate assignments require high training costs.
- When more HCNs or TCNs are used, the problems of language and cultural adjustments that are faced by expatriates are reduced or vanished. Multinationals using these IHRM policies will not face problems related to returning back expatriates to the parent company and readjusting them back to their national culture.

- The costs of expatriates are usually high whereas hiring host-country employees or TCNs costs less.

Costs:

- Host-country nationals might have coordination problems related to culture, language loyalty differences. Even if the host-country national speak the language of the parent company headquarter, misunderstandings might occur. On the other hand, host-country nationals will have more loyalty to their local organization rather than to the parent company.
- Host country and regional managers may face glass ceiling for promotions limiting their career advancement to country or region horizon.
- Because this IHRM approach doesn't value international experience, less qualified home country managers might be attracted to these positions leaving the organization with limited talents and advantages in the field of international operations.

When MNCs choose to integrate all of its foreign subsidiaries and the melding of a worldwide corporate culture, they are adopting a “**global IHRM orientation**” (Heenan & Perlmutter, 1979). MNCs adopting this approach will assign their best managers to international assignments regardless of nationality (Heenan & Perlmutter, 1979; Adler & Ghadar, 1980). In this case, the corporate culture will be highly unified but not dictated by the parent company. Subsidiaries will view themselves as an integrated part of the organization.

However, this integration makes the organizational structure more complex requiring intensive communication and coordination across boundaries (Edstrom & Galbraith, 1977). Assigned managers, being highly qualified, are able to adapt easily to any culture and are usually bilingual or multilingual. Having expertise in international assignments is a prerequisite for any successful managerial career in MNCs adopting global IHRM policies. Global MNCs try to control its

subsidiaries through the socialization of its organization's values but still applying this control strategy with the greatest flexibility in order to respect the differences among subsidiaries' cultures (Edstrom & Galbraith, 1977).

This socialization process is done by motivating employees in subsidiaries to learn and internalize the organization's values, norms and behaviors. This learning process is reinforced by continuous transfers and visits to various foreign locations and training from both the parent company and the subsidiary. This approach maintains a high degree of decentralization while retaining and overall integration (Edstrom & Galbraith, 1977). A major challenge faced by global managers is that they will be confronted with a high cultural diversity and still be able to meet the coordination and control needs of the headquarter (Bartlett & Ghoshal, 1989).

Meeting these challenges can be achieved through continuous trainings for cultural adaptation and development of coordination skills to balance local needs with the overall company goals (Adler & Ghadar, 1990).

However, global IHRM policies have their benefits and costs (Dowling & Welch, 1988):

Benefits:

- There is a bigger talent pool since hired managers and technical specialist are not selected according to a certain nationality or geography.
- Multinationals builds an advantage of developing a large group of experienced international managers.
- Through its integrated organizational culture, managers identify with the organizational culture rather than with any national culture.

Cost:

- Some host countries have strict immigration laws which makes the importation of managers from anyplace in the world sometimes very difficult.

- There are high training and relocation costs because compensations for expatriate missions are higher than for host country employees.

Table 10: IHRM orientations

IHRM Practice	IHRM Orientations			
	Ethnocentric	Polycentric	Regiocentric	Global
Recruitment and Selection	Parent country nationals for key positions selected by technical expertise or past parent country performance; host country nationals for lower levels of management	Parent country nationals for top management & technical positions; host country nationals for middle management positions; selection of parent country nationals similar to ethnocentric; selection of host country nationals based on fit with parent country culture.	Parent country nationals for top management and technical positions; regional country nationals for mid-level management and below.	Worldwide throughout the company; based on best qualified for position.
Training for Cross-Cultural adaptation	Very limited or none; no language requirements	Limited for parent country nationals, some language training	Limited to moderate training levels for parent country nationals; parent and host use language of business, often English	Continuous for cultural adaptation and multilingualism.
Management Development: The effects of international assignments	May hurt career.	May hurt career of parent country nationals; host country nationals' advancement often limited to own country	Neutral to slightly positive career implications; international assignments of longer duration.	International assignments required for career advancement.
Evaluation	Parent standards based on contribution to corporate bottom line.	Host standards based on contributions to unit bottom line	Regional standards based to contributions to corporate bottom line.	Global standards based on contribution to corporate bottom line.
Compensation	Additional pay and benefits for expatriate assignments.	Additional pay and benefits for expatriate assignments; host country compensation rates for host country nationals.	Due to longer assignments, less additional compensation for expatriate assignments.	Similar pay and benefit packages globally with some local adjustments.

Sources: Adapted from Adler & Ghadar 1990; Heenan & Perlmutter 1979.

According to Taylor et al. (1996) an adaptive, exportive and integrative SIHRM orientations are consistent respectively with the polycentric, ethnocentric and geocentric approaches to MNC management defined by Heenan & Perlmutter (1993). However, it important to note that the four approaches defined by Heenan & Perlmutter (1993) are being increasingly used in the literature to refer sometimes exclusively to staffing of top management positions of affiliates (Adler, 1991).

The following table 11 compares the three possible orientations with those of IHRM approaches:

Table 11: IHRM orientations and approaches

	Assumption	Senior Management Staffing	IHRM approach
Ethnocentric	What works at home will work everywhere	Mostly from home country	Exportive
Polycentric	Every country is different	Mostly from host country	Adaptive
Global	Integrates the good practices from each country to find one best way	Best talent internationally available	Integrative

Source: Adapted from Taylor et al. (1996)

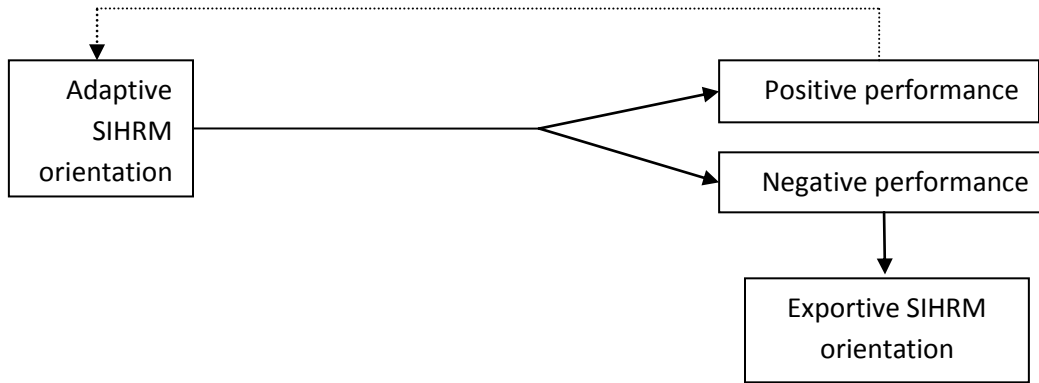
An important question should be raised at this stage: what determines the choice of an SIHRM orientation? The answer could be found in the literature. According to Kobrin (1992), the choice of an SIHRM orientation is affected b the firm’s international strategy. Schuler et al. (1993) suggest that the choice is also influenced by the top management within an MNC. If the MNC chooses a global strategy (Porter, 1986), its subsidiaries would be managed as interdependent businesses. This type of strategy requires a high degree of integration supported by high levels of coordination and control (Gupta & Govindarajan, 1991). If the MNC chooses a multidomestic strategy, subsidiaries would be managed as independent businesses. This strategy is usually used when the local market demands a high degree of adaptation of products or processes (Taylor et al., 1996).

On the other hand, the perception of top management shapes the nature of the SIHRM orientation to be taken in an MNC. If top management doesn't believe that the company's HRM is a competence that could be used across its national borders, the MNC wouldn't in this case have the incentive to transfer its HR practices across subsidiaries and would therefore let these subsidiaries develop their own HR practices. In this case the MNC is choosing an adaptive SIHRM orientation. If top management believes that the firm's HRM competence will be useful beyond its national borders, it would choose an exportive or an integrative SIHRM orientation (Taylor et al., 1996). However, it is believed that MNCs' SIHRM orientation can change according to the success or failure of the orientation chosen. Success and failure are usually related to performance related to HRM (higher turnover, lower productivity, higher wages, etc...).

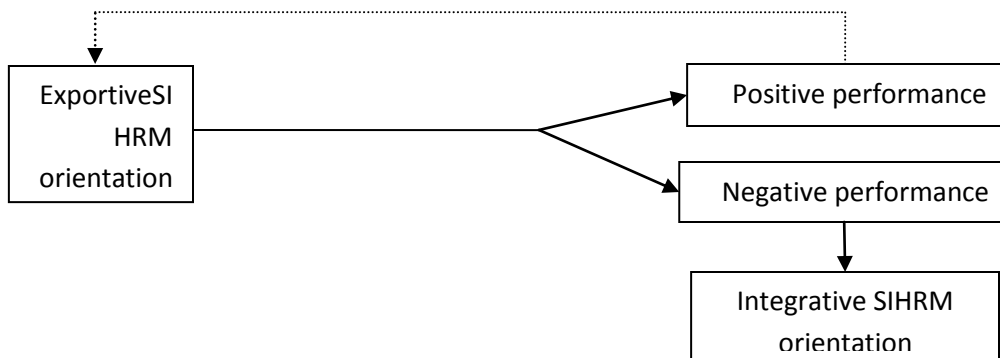
Taylor et al. (1996) have developed a model (Figure 8) to explain how SIHRM orientations can change over time due to positive or negative performance. A negative performance could push the MNC to change its SIHRM orientation and a positive performance could reinforce the existing SIHRM orientation. This model is important since it links international strategy, top management perception, SIHRM orientation and performance together. This model has emphasized that the SIHRM orientation an MNC chooses is at the core of the corporate-level SIHRM system and is influenced by the international strategy of the firm as well as by the top management perception of the generalizability or the contextuality of the firm's HRM competence. This model shows that SIHRM orientations are dynamic as the international experience of the MNC increases.

Figure 8: Evolution of SIHRM orientation

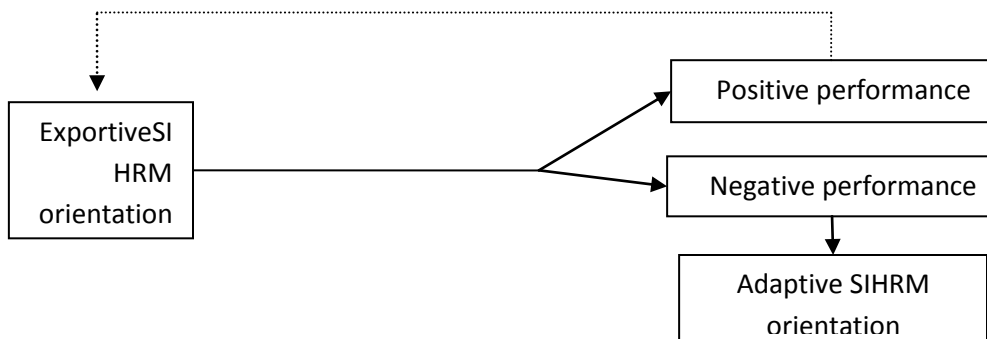
For MNCs following a global strategy in which top management initially believes that the firm HRM competence is context specific



For MNCs following a global strategy in which top management initially believes that the firm HRM competence is context generalizable



For MNCs following a multidomestic strategy in which top management initially believes that the firm's HRM competence is context generalizable



Source : Taylor et al. (1996)

2.3.1.3 Control and coordination mechanisms

Martinez & Jarillo (1989) states: “*The study of mechanisms of coordination in all MNCs is crucial to international management, for they are the center of all managerial and strategic problems faced by MNC managers: how to make the most of far-flung and diverse activities*”. Child (1973) defines control as “*is essentially concerned with regulating the activities within an organization so that they are in accord with the expectations established in policies, plans and targets*”.

This section aims at presenting the literature about control and coordination in MNCs.

From the literature about control and coordination, four categories are found and displayed in table 12:

Table 12: Control mechanisms in the literature

Author	Personal centralized control	Formal bureaucratic control	Output control	Socialization and network control
Ouchi (1980)	Direct personal surveillance	Rules and procedures	Output control	Indoctrination and socialization
Mintzberg (1979;1983)	Direct supervision	Standardization of work processes	Output standardization	Socialization and mutual adjustment
Child (1984)	Personal centralized control	Bureaucratic control through formalization	Output control	Cultural control (socialization, training)
Baliga &Jaeger (1984)	Cultural (personal)	Bureaucratic (behavior)	Output	Cultural (socialization)
Martinez & Jarillo (1989)	Supervision and centralization	Standardization and formalization	Output planning	Socialization and lateral relations

Source: Harzing (1999)

The first category of control has to do with a certain level of hierarchy where decisions are centralized and the behavior is regulated through a surveillance mechanism. As for formal bureaucratic control, it is mainly related to “standard practices” and standardization (Simon,

1976; March & Simon, 1958). Formalized rules and procedures, written manuals and guidelines are used to control the behavior. Simon (1976) defends the use of standard practices as a way of controlling by stating: “*By deciding once for all that a particular task shall be done in a particular way, it relieves the individual who actually performs the task of the necessity of determining each time how it shall be done*”. He also stresses on the importance of training on how to use these standard practices and the criteria to be used to take decisions regarding these practices.

As for the output control, the control is based on the ability to achieve results instead of taking a certain action. The fourth category, control by socialization and networks, stresses on processes by which a new employee learns the value system and norms of the behavior in the organization (Child, 1984; Baliga & Jaeger, 1984).

Control can be also classified as direct or indirect or even as personal or bureaucratic. Harzing (2001) had classified control mechanisms according to two dimensions. The table 13 illustrates this classification:

Table 13: Control mechanisms/ two dimensions

	Personal/cultural (social interaction)	Impersonal/Bureaucratic (Instrumental artifacts)
Direct/explicit	<i>Personal centralized control</i>	<i>Bureaucratic formalized control</i>
Indirect/implicit	<i>Socialization and networks</i>	<i>Output control</i>

Source: Harzing (2001)

The use of standard practices is usually a direct mechanism built on impersonal artifacts as opposed to more personal control done through social interaction.

However, the literature presents some characteristics of the MNC and/or its subsidiaries that affect the type and level of control within the MNC. These findings are summarized in the table 14.

Table 14: Literature about MNC characteristics and type of control

Authors	Characteristics	Explanation
(Pugh et al, 1969); Blau & Schoenherr, 1971); (Child,1984)	Size of the MNC	The larger the size of the MNC, more bureaucratic control through standardization of policies and practices
(Picard, 1979); (Gencturk & Aulakh,1995)	Size of the MNC	The larger the size of the MNC, the less emphasis will be placed on centralized control
(Garnier,1982);(Yunker,1983); (Hedlund,1981)	Size of the MNC	The larger the size of the MNC, the more emphasis will be placed on centralized control
(Hickson et al,1974); (Hulbert & Brandt,1980)	Size of the MNC	The larger the size of the MNC, the more emphasis on bureaucratic control
(Cray,1984); (Garnier,1982)	Size of the subsidiary	The larger the size of the subsidiary, the more emphasis on centralized control
(Hedlund, 1981)	Size of the subsidiary	The larger the size of the subsidiary, the less emphasis on centralized control
(Bartlett & Ghoshal, 1989)	Organization type	Centralization is high in global MNCs and low in multi-domestic organizations
(Roth et al, 1991)	Organization type	Global MNCs have higher levels of formalized practices and centralization than multi-domestic firms.
(Gupta & Govindarajan, 1991); (Edwards et al,1998)	Subsidiary role	Strategic role of the subsidiary affects the level and type of control

(Source: Developed for this study)

Martinez & Jarillo (1989) explain that control mechanisms have evolved from centralized decision-making and bureaucratic control to indirect mechanism of control. The authors distinguish between formal and informal control. The formal control is reinforced through the use of standard practices and centralized control. The indirect or informal control relies on socialization and networks. Socialization and networks is done through building an organizational culture of shared values and objectives, enhancing the communication between

managers and across departments, working in teams and task forces and communicating informally through corporate meetings and transfer of managers.

2.3.2 Cultural Approach to IHRM in MNCs

The cultural approach adopts a contingency perspective that argues that the effectiveness of a particular HR practice is contingent on how well it matches a national value system. When applied to IHRM in MNCs, this approach argues against the use of transfer of standard practices by MNC. Instead, this approach prescribes that MNC should match each HR practice to the different national value system or cultural environment in which they operate (Newman & Nollen, 1996; Adler & Jelinek, 1986; Schneider, 1986). The reason is that culture is considered to be the main reason why the same HRM policies are not producing the same effects in different subsidiaries (Schneider & Barsoux, 1997). Moreover, differences in cultural values reflect different assumptions about the nature of the relationship between employers and employees and therefore lead to different interpretations of what “good” HRM practices are. As a matter of fact, cultural differences are main drivers in deciding which HRM practices can be globally used and which HRM practices need to be locally adjusted. It is also important to note that the cultural context of the headquarter and the subsidiaries of an MNC was also mentioned in almost all strategic IHRM models explained in section 2.3.1 (Adler & Ghadar, 1990; Milliman et al., 1991; Schuler et al., 1993; Taylor et al., 1996). The aim of this section is to define culture, the cultural dimensions of Hofstede and present several studies that linked culture to IHRM in MNCs.

2.3.2.1 Culture

Cultural awareness is essential to the success of international business. Schell & Solomon (1997) consider that: *“More than any other aspect of the business experience, our knowledge and understanding of culture affects the outcome of business ventures. Without insight into the ways of others, we can’t expect to develop credibility, nurture goodwill, inspire a workforce, or develop marketable products. And that directly translates to bottom-line results. Culture affects the way we develop and maintain relationships. It plays a significant role in determining success with colleagues and partners, and helps us grasp how to evolve into respected leaders around the world. Understanding culture fundamentally affects how we run our business, what*

characteristics to look for in selecting people, how to develop global talent, how to conduct meetings and how to manage employees and work with teams”.

By definition and for the purpose of this thesis, culture is the characteristic way of behaving and believing that a group of people in a country or region (or firm) have evolved over time and share (Briscoe & Schuler, 2004). People’s culture:

- Gives them a sense of who they are, of belonging, of how they should behave.
- Provides them the capacity to adapt to circumstances (because the culture defines what is the appropriate behavior in that circumstance) and to transmit this knowledge to succeeding generations (in the case of countries) or to a new employee (in the case of organizations).
- Affects every aspect of the management process- how people think, solve problems and make decisions (for a country or firm).

Schell & Solomon (1997) phrase it as such: *“Learned and absorbed during the earliest stages of childhood, reinforced by literature, history and religion, embodied by...heroes, and expressed in...instinctive values and views, culture is a powerful force that shapes our thoughts and perceptions. It affects the way we perceive and judge events and other people, how we respond to and interpret them, and how we communicate to one another in both spoken and unspoken language. Culture, with all of its implications and forms, differs in every society. These differences might be profound or subtle; they might be obvious or invisible. Ever present yet constantly changing, culture permeates the world we know and molds the way we construct or define reality”.*

Hofstede (1980) defined culture as: *“The collective programming of the mind which distinguishes the members of one group or category of people from another”.* This definition leads to three major assumptions: first, there are national cultural differences that do exist; second, these differences are associated with a number of shared values; and third that these shared values affect people’s attitudes and behavior at work. These assumptions are consistent

with the work of other scholars identified in the literature (Kluckhohn & Strodtbeck, 1961; Herkenhoff, 2000).

The pioneer in studying differences in national values was Hofstede (1980) who conducted a study on 116,000 employees of one US MNC across two different time periods. The study confirmed the existence of four largely independent dimensions of national value differences. The author labeled these four dimensions as *individualism v collectivism*, *masculinity v femininity*, *power distance* (large v small) and *uncertainty avoidance* (strong v weak). Later, Hofstede (1991) added a fifth dimension, *Confucian dynamism* or a long-term versus short-term orientation. The five cultural dimensions as defined by Hofstede (1980, 1991) are presented below.

Power distance is “*the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers as much as by the leaders. Power and inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others'*”.

Individualism (IDV) on the one side versus its opposite, collectivism is “*the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty. The word 'collectivism' in this sense has no political meaning: it refers to the group, not to the state. Again, the issue addressed by this dimension is an extremely fundamental one, regarding all societies in the world'*”.

Masculinity (MAS) versus its opposite, femininity refers to *“the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The IBM studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values”*.

Uncertainty avoidance index (UAI) *“deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, and different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth; 'there can only be one Truth and we have it'. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions”*.

Long-term orientation (LTO) versus short-term orientation is related to virtue regardless of truth. *“Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. Both the positively and the negatively rated values of this dimension are found in the teachings of Confucius, the most influential Chinese philosopher who lived around 500 B.C.; however, the dimension also applies to countries without a Confucian heritage”*.

2.3.2.2 IHRM and culture in MNCs

Research in IHRM and cross-cultural management represent a small percentage of the overall research efforts conducted in management and organization (Adler, 1983). Furthermore, most of the research published has been written from an American perspective or conducted in Western countries (Boyacigiller & Adler, 1991). However, it is important to note that this limited research was criticized for being much descriptive of organizational practices and lacking the analytical side besides some weaknesses in the research design and planning (Dowling, 1988). Today, research is growing and the quality of research is improving (Aycaan et al., 2000). Cultural-based research on IHRM argues that MNCs have a legacy of values, attitudes and characteristics of the mother country. Therefore practices of transfer are based on this connection to the mother, or home, country culture as well as the host country cultures. The emphasis here is on how organizational actors are influenced by processes which they take for granted, and many times this is a subconscious influence. This approach is that approach by which an organization's particular choices of transfer actually reflect what seems to be a 'natural' choice in a particular cultural setting (Edwards et al., 2007). These studies focus on culture as being a barrier towards the transferability of HR practices. Tayeb (1998) considers that when MNCs apply similar policies across its operations, these are then adapted to the local culture of the host country. Other empirical studies have focused more on home country culture and how it gives MNCs an identity which cannot be discarded. Thus, the culture of the home country shapes the transfer of HR practices (Bae et al. 1998; Ngo et al. 1998). A few studies show how the home country culture can actually give an MNC an identity (e.g. Bae et al., 1998). This cultural 'country of origin' effect informs the substance of transfer. (Edwards et al., 2007). On the other hand, since subsidiaries operate in different countries and therefore in different cultural settings, standardized practices could not be transferred from the parent company to its subsidiaries. As a matter of fact, the MNC should adapt its practices to the host country's culture and thus benchmark the HR practices of local companies (Newman & Nollen, 1996; Adler & Jelinek, 1986). Due to the serious limitations set by diversity of cultures within the subsidiaries of MNCs, HRM practices advocated in MNCs headquarters and some subsidiary cultures may have major limitations when applied to subsidiaries with dissimilar cultures. This problem is amplified when discussing economic and political situations in emerging markets, third world countries, or developing nations (Namazie, 2003). Furthermore, one proposal states that the greater the cultural distance

between the headquarters of MNC and the subsidiary, the greater the chance that the MNC will allow for HRM practices to be adapted to the local subsidiary context (Namazie, 2003; Schuler *et al.*, 1993). However, it is important to note that national culture can have an effect on IHRM only if some assumptions are justified or supported. According to Gerhart & Fang (2007), in order for national culture to play a central role in IHRM, there are certain assumptions to be verified:

1. The difference between countries must be substantially greater than the differences between cultures within the country. Without this being true, then cultural orientation won't convincingly describe most of the people most of the time.
2. Country differences in culture are greater than those differences due to other factors such as organization. Without this factor, then there would not seem to be a convincing reason for emphasizing national culture over organizational culture. In such a case, national culture would not provide appropriate rationale for cultural differences within countries, nor would it explain merger and acquisition difficulties between two domestic companies, nor does it explain why HRM practices and managers fail in domestic setting even when national culture isn't an issue.
3. An odd practice that neither fits national culture nor HRM practices will reduce efficiency. Example an individual based rewards system in a collectivist culture should not be successful. Therefore there must be some interaction between national culture and management practice. Without this interaction, Hofstede's (1980) claim for culturally bound management theories wouldn't hold true.

One possible complication when taking a look at evidence on such an assumption is that researchers must consider availability bias. Problems in HR are often considered to be a poor fit in terms of culture. Failures are mentioned more often than the successes.

4. Managerial discretion is greatly limited by national culture. The adoption of innovative employment systems and change in their nature over time to adapt to changing competitive conditions can't occur unless when they conflict with national culture. Having an organization with a culture that is unique relative to the country or industry can be risky but it can also be beneficial. Simultaneously the competitive and industrial pressures that operate across country boundaries serve to reduce these country

differences. Therefore national culture does not preclude using new employment systems that don't typically fit within the current national culture.

5. Assuming that, on average, HRM practices are culture-bound, then for national culture to significantly constrain these HRM practices it must be assumed that companies attract, select and retain all employees in a random fashion. If this doesn't hold true, then a company which operates in a country with an X level of individualism that is too low for its needs, the country would simply establish a hiring hurdle above that X level and would be able to find enough employees that have sufficiently high individualism to fit the management system at hand.

Several authors have tried to study the impact of certain HR practices within MNC when they are not consistent with these national value differences. These authors argue that an inconsistency between HR practices and the national values can negatively affect the employees' satisfaction, commitment or overall performance of the organization (Adler, 2002; Schneider, 1986). HRM practices induced via cultural factors, like promotions and compensations, vary greatly from one culture to the next (Hofstede, 1984; Namazie 2004). When HRM practices are rooted in culture values, they facilitate transferability to the subsidiary employee who understands or accepts those same values. Likewise, employees will find it difficult to accept those HRM practices which contradict their cultural values and norms (Namazie, 2003). Thereby, rendering the HRM practices incompatible with the subsidiary. Transferability of HRM practices is positively correlated with the degree of compatibility between the culture of the subsidiary and the MNC headquarters (Wenchuan, 2004).

Furthermore, several authors argued that cultural difference go beyond mere application of HRM practices, but is related to alliances between managers, business partners and employees. Hofstede (1991) found that 50% of differences in managers' beliefs, values and attitudes could be explained by national culture. Laurent (1983) found managers of MNCs retain most of their national values in spite of routine contact in diverse cultures, or culturally diverse situations. This can pose quite a challenge at the level of HRM practices and decision making towards a centralized, integrated, or localized subsidiary (Simon & Lane, 2004).

Several studies about the effect of culture on IHRM in MNCs used the cultural dimensions of Hofstede. One of the studies is that of Newman & Nollen (1996) who studied one large US MNC with 176 work units in eighteen European and Asian countries. Focusing on the Hofstede dimensions in relation to several different HR practices including the use of participatory management and pay for performance reward practices, the authors argue the performance in the work units was higher when management practices were congruent with the national cultural values. Therefore, Newman & Nollen (1996) argue against the transfer of standard practices by MNC and instead argue that “When in Rome, do as the Romans do”. Another study by Milikic (2009) linked HR practices of local firms and MNCs operating in Serbia to Hofstede’s cultural dimensions. The authors considered that recruitment for example is linked to the individualism/collectivism, power distance and uncertainty avoidance dimensions. In countries that score high on collectivism, like Serbia, tend to use word of mouth using informal networks to find new hires. Since Serbia scores high on uncertainty avoidance and collectivism, internal recruitment is privileged. The study also tried to explain other HR practices like selection, career planning and training to cultural dimensions of Hofstede. A study by Myloni et al. (2004) tried also to explain Greek host country specific factors that affect the transfer of HR practices to subsidiaries in Greece using the cultural dimensions of Hofstede. The study revealed that promotion from within, references and recommendations, less formalized recruitment and selection tools are most common in Greece due to high score on collectivism that Greece has scores. Other studies went further and considered that differences in cultural dimensions can make the transfer of HR practices difficult even impossible. Because of major national culture differences between east and west, the east as collectivist and homogeneous with the west as individualist heterogeneous, it is almost impossible to transfer certain HRM practices between the two (Beechler & Yang 1994). Wasti (1998) studied the barriers to the transfer of HR practices from American and Japanese MNCs to their subsidiaries in Turkey from a cultural perspective taking the cultural dimensions of Hofstede as a basis. The study revealed that for example group-performance reward based would work better in Turkey since it scores high on collectivism. Similarly, due to high uncertainty avoidance, employees would favor internal promotion. Due to high collectivism, the impersonal and confrontational performance appraisal style is not appreciated. Rather, a face-to face without losing face is preferred by Turkish employees.

2.3.3 Institutional Approach to IHRM in MNCs

Institutionalism stresses on the influence of institutions which are defined as the rules, norms and assumptions that shape economic activity. This approach came to focus on the differences between the different national business systems and the different institutions of the national business system (e.g. Lane, 1989; Hall and Soskice, 2001; Whitley, 1999). This approach argues that the MNC and their subsidiaries are embedded in their own national business system or national institutional system (Whitley, 1992). Due to the different national business systems, some limitations might accompany the internal adaptation of the practices within the MNC (Ferner 1997; Whitley, 2001). Examples of institutionalists include Kostova and Roth (2002) who have shown that the pressure for legitimacy within MNCs urges actors at operating units to engage in transfer. Rosenzweig & Nohria (1994) considered that MNCs are pressured by what they called “local isomorphism” which leads them to resemble local firms. Ferner (1997) has argued that many MNCs are deeply rooted in the country where they have originated and therefore tend to apply strategies and practices shaped by institutional home country factors for example the system of corporate governance in the home country. Institutionalism also has a business system strand which has been utilized to explain the ‘country of origin’ effect. Because most MNCs are embedded in the country from which they originated, strategies and practices must be shaped by the system of skill development and corporate governance system found in the mother country.

In relation to multinational companies and their management of human resources, the institutional approach outlined above leads to a focus on the ways in which institutions in the MNCs home country inform its behavior internationally (Country of origin effect) and the way this behavior needs to be modified in order to fit the institutional context of the host countries in which it operates (host-country effects). This section aims at explaining how MNCs interact with their home country and their host country effects. Edwards and Ferner (2002) have identified four influences on the behavior of MNCs: country of origin effects, dominance effects, pressures for international integration, and host country effects.

2.3.3.1 Country-of-origin effects (Home-country effects)

Country of origin effect is defined as the set of elements of the behavior of the MNC which has its roots back to the characteristics of the national business system from which the MNC originates. In other words, home country factors might include industrial relations, training and education, the welfare state, the firm's level of division of labor and of management roles and the nature of corporate finance (Hall & Soskice 2001). Other researchers argue that with increased globalization, these effects might not prevail.

The national business system which is the set of structures and institutions of the economic activity that combine to produce a distinctive way of organizing economic activity has an effect on the behavior of MNCs (Whitley 1992;1999). The national business system leads the way in which MNCs in the home country informs their subsidiaries in the international market about their behavior in the host country and the way to adapt to local institutional requirements. In order to understand how the business system affects the multinational company, it is necessary to compare the behaviors of different MNCs operating in different host countries. Previous research has shown that American MNCs tend to have more centralized and formalized human resource systems (Ferner et al., 2004). Jacoby argues that American history of labor relations and particularly the hostile relationship between capital and organized labor, has affected the policy of the American MNCs abroad and pushed them towards being reluctant to systems of collective employee representations in host countries (Jacoby, 1997).

Furthermore, Smith & Meiskin (1995) have developed the idea of dominance effect. This concept considers that dominant countries tend to dominate other countries through exerting organizational, political and technological influences (Smith & Meiskins 1995). Dunning considers that after the World War II, Western European countries were influenced by the American managerial style and its production techniques. (Dunning, 1993). Firms of the dominant country tend to "export" their key practices to subsidiaries across the globe aiming at contributing towards the economic growth of their country of origin.

Another major influence of the home-country on HR practices is the culture of the home country (Ferner ,1996). The reason behind this influence is that some practices are related to cultural values of employees. For example, some countries holding certain cultural values might be more

willing to adapt to local conditions of the subsidiary than are countries holding different cultural values (Hanon et al., 1995). Home-country culture has an influence on MNCs employment practices. According to Lawler et al. (1992), MNC's home country has an effect on employment practices and on HRM professionalization. Their findings indicated that Western firms have more professionalized and systemized HR systems than do Asian firms.

The major dilemma underlying the field of IHRM is whether to go toward a global integration or a local adaptation (Hanon et al., 1995). When countries adopt consistent human resources practices, it is applying a global integration approach whereas when it strives to adapt its HR practices to local norms and regulations, it is applying local adaptation (Adler, 1986; Dowling, 1989).

To overcome this dilemma, MNCs have adopted the following general strategies to manage employees in host countries: The ethnocentric, polycentric or geocentric strategy (Caligiuri & Stroh, 1995; Dowling, 1989). The ethnocentric strategy is transferring the HR practices of the home-country to overseas subsidiaries in order to maximize control. The polycentric strategy totally adapts to local situations and applies HR practices that are identical to those of local firms. The third strategy, the geocentric strategy, attempts to balance both global integration and local adaptation by applying HR practices transferred from the headquarters and yet allowing these practices to be influenced by local conditions. Choosing which strategy to apply is influenced by the cultural values of the home-country. Some MNCs tend to more willingly control subsidiaries whereas others might be willing to allow a certain degree of adaptation. This varies from MNC to MNC and from country to country (Schuler et al., 1993). For example, MNCs headquartered in countries with high uncertainty avoidance (high intolerance for risk) might go more for transferring their HR practices hoping to reduce risks and uncertainty. Similarly, MNCs from countries with high power distance (distance between top management and subordinates) tend to centralize control and minimize local adaptation than MNCs from countries with low power distance.

In summary, theoretical and empirical evidence suggests that HR practices vary according to the nationality of the MNC. Cultural values of the home country can dictate to which extent subsidiaries will be given the opportunity to locally adapt.

The table 15 below lists several studies on American MNCs and the country of origin effects:

Table 15: American MNCs and the country of origin effect

Authors	Main findings	Method
Bonache (2000)	US MNC implemented a standardized employee idea suggestion program	Survey of US subsidiaries in four different countries
Dunning (1998)	US MNC transfer a standardized merit-based pay system and a paternalistic management style towards employees	Survey of 205 US MNC and Anglo-US joint ventures
Ferner & Almond (2004)	US MNC transferred a standardized diversity program, but there were different levels of resistive hybridization of the practices	Multiple cases studies of US MNC in UK
Geary & Roche (2001)	US MNC eight times more likely to use profit sharing, performance appraisal and employee involvement	Survey of 400 local and foreign firms in Ireland
Gunnigle (1995)	US MNC transfer standardized HR practices including selection, rewards and performance pay for all employees	Survey of 27 US MNC greenfield subsidiaries
Harzing (1999)	US MNC more global in strategy and use more formal control systems and less personal control systems	Survey of control in 287 subsidiaries - 55 US
Innes and Morris (1995)	US MNC more likely to have some form of ‘variable’ pay including performance pay and employee involvement	Survey of 48 foreign firms in Wales (25 US)
Kostova & Roth (2002)	US MNC transfers a standardized quality practice – only ceremonial adoption by host employees	Survey of subsidiaries of one US MNC
Martin & Beaumont (1999)	US MNC transferred standard HR practices that were strongly resisted, sometimes successfully, by local managers	Single case study of US MNC in Scotland
Muller (1998)	Most US MNC pursued a standard management style with an emphasis on numbers and performance pay	Study of 9 US and 4 British MNC in Germany
Schneider et al.(1991)	US MNC transferred a standardized individual pay for performance system that was blocked by the sales force	Single cases study of a US MNC
Tayeb (1998)	US MNC transferred standard HR practices, especially in pay and recruitment, but local management resisted several of these practices	Single case study of a US MNC in Scotland
Turner et al. (1997)	US MNC use more formalized performance appraisal system with promoting a clear HR strategy	Survey of 60 US MNC versus 65 Irish firms
Yuen & Hui Tak Kee (1993)	US MNC practices are more formalized and standardized and more extensive in areas such as wage structure	Survey of firms in Singapore

(Source: Developed for this study)

On the other hand, Sparrow, Schuler, & Jackson (1994) investigated HRM policies and practices differences and similarities in 12 countries. Their findings show that not only are HRM practices and policies culturally influenced, but there is what they refer to a series of ‘successive fusions’ of countries. These fusions fit the theory by Moss-Kanter (1991) and Hofstede (1993) on the concept of convergence and divergence of HRM policies and practices. The theory is that cluster with similar HRM practice and policies may be similar not because they are in the same geographical area, but because they are similar in cultures. It is from the research of Moss-Kanter (1991) the phrases, ‘cultural allies’ and cultural islands were coined.

A cultural ally signifies identical cultures, while cultural islands is reserved for those countries or cultures which react uniquely. Sparrow et al. (1994) found that there is an identifiable Anglo-American cluster consisting of the United Kingdom, The United States of America, and Canada. They are stereotyped by their openness and equality in business. These firms see these qualities as being key in gaining competitive advantage in the global business market. The study by Sparrow et al. (1994) also found that of the countries tested, Japan and Korea stood alone, not fitting into any one cluster, each with its own unique sense of HRM emphasis. Therefore Japan and Korea are cultural islands. The study also found that there are countries developing systems of HRM which may soon create new groups of cultural allies. It was predicted by the authors that Germany, which Moss-Kanter (1991) found to be an ally to France, would by the year 2000 be comparable to the Anglo-American cluster and that at the time of the study there was already a significant difference between the HRM policies and practices of Germany and France. (Sparrow et al.,1994)

Throughout the empirical studies on IHRM or the comparisons of HRM practices between countries, the standing debate seems to stand on the issue of whether the Western idea of ‘best practice’ approaches are more effective than those in other countries, regardless of the cluster within which they fit. At one end of the spectrum of research there is an argument for the universalist approach to HRM and advances the argument for “best practices”. This is grounded in the theory that world-wide similarities between people, specifically between employers and employees serve as a significant basis for developing a generic theory of HRM without

exceptions for social or cultural context. This argument is enhanced by the globalization phenomenon.

With an increase of free markets, and the adoption of Western business and capitalistic ideals, organizations worldwide become ‘culturally free’. This is because managers from non-western countries will be coerced into embracing western management practices, policies and tactics. Over time then this will create the new global business environment. Such an environment overrides differences in national cultures, thereby creating a similar set of HRM practices and policies to be applied worldwide. Under this theory it can be assumed, by default, that successful business practices that have been proven effective in one country, will be so in another (Pfeffer, 1994)

The other end of the spectrum suggests that this approach of universalists is not only incorrect, but is potentially counterproductive. (Hofstede, 1993) The globalization of business, and the implications for HRM practices and policies, has actually led to the increased attention to yet another set of contingency factors. These factors include the differences in the centrality of markets, institutions, regulation, collective bargaining and labor-force characteristics. They are critical in management practice and management needs to take them into consideration in the decision making process. (Gerhart & Fang, 2007)

2.3.3.2 Host-country effects

The domestic environment of the subsidiary often called “host country effects” has an influence on HR policies and practices. These effects include local culture, and legal, social, economic and political systems (Dowling et al., 1999; Beechler & Yang, 1994).

Despite of globalization, MNCs are facing a major paradox: “Think global, act local” (Dowling at al., 1999). In other words, countries where subsidiaries are implemented are still exerting an influence and are pushing MNCs to respond to these local influences (Doz, 1986).

Buckly & Casson (1991) have argued that although Japanese multinationals have successfully exported their HR practices to the United States and Europe, U.S and European multinationals failed to export their practices to developing countries because they didn't understand foreign attitudes towards work, reward, authority and management-labor relations. Another study conducted by Tayeb (1994) claims that although Japanese multinationals have succeeded in transferring some of their HR practices to their subsidiaries, they have failed to implement other practices in the West especially the Just-in time and quality circles. Lorenz (1993) has found out that performance-related pay works better in Anglo-Saxon countries than in France, Germany or Italy where the individual performance should not come as an indicator to the failures of others (Ferner, 1994). Government policies and the nature of the labor market conditions might dictate some practices to be adopted by MNCs. In developing countries, a host government might impose a certain hiring procedure (Dowling et al., 1999). On the other hand, Florkowski & Nath (1993) have noted that MNCs must take into consideration national development plans prepared by host countries and adapt their HR practices accordingly.

According to Dunning (1993), MNCs generally respect local employment practices. However, there is evidence that MNCs tend to choose host-countries that are less regulated economies in order to be able to introduce their own labor practices sometimes unacceptable in their home countries. For example, Germany considers workforce representations of prime importance whereas in Britain, workforce representations are not required. The result is that MNCs coming from more regulated economies tend to set up in countries with less regulated economies.

According to Ferner (1994), Marginson & Sisson (1994), MNCs will focus on other areas when it sets up in deregulated economies like for example production technology and local labor market instead of focusing on workforce representations. Moreover, MNCs tend to have more freedom in applying their own HR practices in developing countries which have fewer and less labor laws than in developed countries.

Similarly, the business systems of the host countries vary in terms of how much they are ready to be influenced to external management styles (Whitley, 2001). The strength of host country effects depends also on the degree of dependency of the national economy on foreign MNCs and this dependency varies from one country to another. When the dependency is high, MNCs will have a greater influence on shaping the local business system as it is the case of Ireland (Gunnigle et al. 2003). Locational flexibility of the MNC can neutralize the host country effects. In other words, when the MNC can prove that it can easily relocate to other countries, the impact of host country effects may be reduced.

It is also important to note that host country can impose on a subsidiary a behavior which is different than the behavior of the parent company. This process is explained by distinguishing between “forced differentiation” or a “differentiation by choice” (Ferner, 2000). Forced differentiation of practices can be the result of strong barriers imposed by the host country. An example would be how the German system of employee representation imposes certain restrictions on MNCs of different origins operating in Germany and “force” them to “differentiate” their practices (Tempel, 2002).

On the other hand, differentiation by choice is possible when the business system of the host country offers a certain flexibility to allow MNCs to implement practices that are different from the home country imposed practices. It should be noted that even in host country business systems imposing high constraints on MNCs, the latter can always find a way to reproduce to a certain degree some home country practices (Quintanilla & Ferner, 2003).

Political processes within MNCs may act as a barrier or facilitator for the dispersion of universal practices (Ferner & Edwards 1995). Managers of subsidiaries may rely on their knowledge of the local market and take it as a source to block the transfer of standardized practices from the headquarters. In this case, each subsidiary will try to prove that its own capabilities and its own "practices" are the best against the rest of the subsidiaries (Kristensen & Zeitlin 2003). On the other hand, MNCs can use a certain control system to reward subsidiaries that show conformance with the headquarter practices (Ferner & Edwards 1995). These control measures might include promoting managers who implement universal practices, generating competition among subsidiaries and rewarding best practices with additional funds invested in the subsidiary.

On the other hand, Recent research show also that inter-organizational networks of the MNC with clients, partners and suppliers in the host country can influence employment practices within an organization, restraining MNCs to apply standard sets of HR practices. In other words, network pressures might dictate a certain employment contract, might impose a certain training provision or to change the relative level of pay or the working-time schedules (Rubery et al. 2002).

It should be noted that MNCs are not just passive agents which respond either by adapting or implementing a transferred practice. Moreover, the implementation of practices in host country should not be limited to differentiating between home and host country and calculating the distance between the two systems (Kostova & Roth, 2002). A key focus must be placed on the strategies implemented by MNCs to transfer these practices effectively.

Several studies about host country effects were conducted aiming at explaining the effects of the country where the subsidiary is implemented on the human resource practices of the MNC. It is important to note that studies about host-country effects are much fewer than studies about country of origin or home country effects which have dealt mainly with the USA as the country of origin.

A study financed by the Anglo-German foundation for the study of industrial society was conducted by Ferner et al. (2001) dealing with German multinationals in Spain and Britain. The empirical study was conducted using case study research on 46 German subsidiaries in Spain and Britain (40 in Britain and 6 in Spain). The study revealed that these German subsidiaries were obliged to implement Anglo-Saxon practices in terms of performance appraisal, management development and a formalized corporate culture. German management style persisted in subsidiaries. The main result of this study is that German subsidiaries had the maneuver of implementing “German practices” even in highly regulated host countries like Britain. Another study by Almond et al.(2005) tried to explain the institutional “home” and “host” country effects on employment policy and practice in multinational corporations (MNCs) .Using in-depth case

study analysis of the human resource (HR) structure and industrial relations and pay policies of a large U.S.-owned MNC in the IT sector, across Germany, Ireland, Spain, and the United Kingdom. The analysis has demonstrated that although American MNCs struggled for applying standard practices, there are significant barriers to the combined push for uniform policies based mainly on home country lines. Host country effects have taken the form of the need to engage in systems of collective bargaining and accept workplace representation in Germany, France, and Spain, and to be more tolerant towards representation in the United Kingdom. However, a central theme of the findings from all the countries has been the “malleability” of host country systems. A study by Purcel et al. (1994) examined management and HRM practices adopted by Japanese multinational enterprises (MNEs) and the transferability of Japanese HRM in the Australian host-country situation. It also compared HRM practices of Japanese MNEs in Australia with the experience in North America and Europe and attempts to map the typology of the human resource management utilized by a range of Japanese firms operating in Australia, including large and small firms; manufacturing and non-manufacturing companies; firms with differing levels of Japanese equity and with different levels of operational experience. The study is based on survey data from sixty nine Japanese subsidiaries operating in the Australian manufacturing and service sectors in 1994. A study about host-country effects on the transfer of HR practices towards Turkish subsidiaries was conducted by Wasti (1998). The study examined the applicability of Japanese and American human resources management practices in Turkey within a socio-cultural perspective. Emphasizing the contextual differences between developing and industrialized countries and comparing work-related values of the three countries, the paper argues that Japanese human resources practices are more compatible with Turkish societal characteristics than are their American or Western counterparts. Stehle & Erwee (2007) studied the transfer of human resource practices from German MNCs to their subsidiaries in Asia. The study findings show that German MNCs tend to transfer HR practices but leave the translation into practice to local subsidiaries due to differences in cultural values. The study also stressed on the relational context as a facilitator of the transfer process.

The subsidiary strategy is defined as the positioning of the subsidiary vis à vis its competitors and its customers with regard to its underlying capabilities and resources (Porter,1996; Andrews,1971;Wernerfelt,1984). An important part of the subsidiary strategy is related to its

capabilities and resources. Usually tangible resources are held by the subsidiary while intangible resources are held by the parent company. However, capabilities are sometimes shared between the parent company and the subsidiary. Some capabilities are held at the firm level but shared across subsidiaries and others are subsidiary specific (Grant, 1998).

In conclusion to this section 2.3.3, it should be noted that although the institutional approach offers more dynamic perspectives than the cultural one, it has also been criticized for being so deterministic where organizations tend to be shown as passive to their institutional environment (Wailes et al., 2003). This approach has two main shortcomings. The first is that there is a difficulty in identifying and isolating the key characteristics that represent the “national business system” and constitute a particular approach to HRM. According to a study conducted by Gamble (2003) on a British firm operating in China; it was very difficult to distinguish between what is Chinese and what is British approach to HRM. This is to remember that one of the reasons behind this difficulty is that the majority of studies conducted concentrate on advanced countries such as Japan and the USA (Ferner, 1997). Another shortcoming of this approach is that it considers the national business system as monolithic and static. Quintanilla (1998) has warned against the immutability of a national business system. Research has found that there are regional and industrial differences in the HR practices of MNCs operating in the same national business. Research conducted by Ortiz (2002,1998) has identified different national and institutional frameworks within the same country when the teamwork initiative was introduced to the automobile sector in Spain and Britain. Another study by Child et al. (2000) found deep sectoral differences in the human resource practices of MNC located in Britain.

2.3.3 Integrative IHRM model

To summarize the three approaches: strategic, cultural and institutional, it has been argued that the IHRM policy of an MNC is the interaction of its home HRM system, its firm characteristics and its host societal characteristics. The existing literature has included the following set of firm and host-country characteristics listed in table 16

Table 16: Literature about host-country factors affecting IHRM

Host-country factors
Political factor (Ferris & Judge 1991; Sundaram & Black 1992; Baumgarten 1995; Gregersen et al. 1996)
Legal factor (Von Glinow & Teagarden 1988; Dowling et al. 1994; Rosenzweig & Nohria 1994; Taylor et al. 1996; Welch 1994; Gregersen et al. 1996; Ferner 2000)
Economic factor (Hamill 1984; Dowling et al. 1994; Schuler et al.1993; Welch 1994; Baumgarten 1995; Logger et al. 1995; Paauwe and Dewe 1995; Gregersen et al. 1996; Dowling et al. 1999; Delios and Bjorkman 2000)
Sociocultural factor (Tung 1982; Hamill 1984; Laurent 1986; Black and Mendenhall 1990; Hofstede 1991; Schuler et al. 1993; Dowling et al. 1994; Welch 1994; Logger et al. 1995; Gregersen et al. 1996; Taylor et al. 1996; Braun and Warner 2002; Myloni et al.2004)

(Source: Developed for this study)

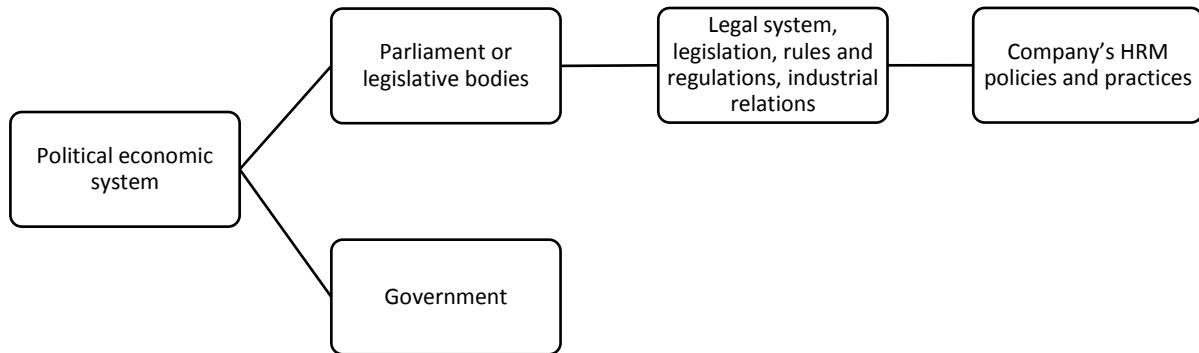
According to Tayeb (2005), the political economic system has a deep influence on how a nation and its people organize their public and their private lives. Tayeb (2005) states: *“In a sense, the political economic system sets the tone and provides the framework within which all activities take place. The nation’s overall broad strategies are determined at micro-levels within the parameters set by this framework. Some of these strategies and ensuing policies are relevant to business organizations’ external and internal affairs, including HRM”*. To better understand political factors, Sundaram & Black (1992) state: *“The sovereignty of the state is embodied in its authority to influence events within its legal territory and in its choice of being relatively immune to outside influences. This authority generally manifests itself in terms of laws and regulatory institutions, political institutions, official language(s), norms of behavior, and culture. Consequently, the MNE has exposure to multiple (and often conflicting) sources of external authority”*. From another perspective, other authors such as Ferris & Judge (1991) studied the political influence on HRM meaning the organizational politics including the headquarter and the subsidiaries politics. Ferris and Judge (1991) argue that issue of competing interests, politics and power should be taken into consideration when defining a strategic international HR model. They define political influence as *“deliberate attempts to manage or control the meaning by others in the organization [...] Political influence is manifested as a rivalry which takes place among the competing interests of the influential actors in the headquarter and the subsidiaries”*. For this section, the macro-economic political factors of the host-country are thought to influence

an MNC's HR policies and practices. Figure 9 illustrates the influence of the political economic system of a country on a company's HRM policies and practices.

As for economic factors, Schuler et al (1993) included these factors among exogenous factors affecting HRM of an MNC. The exogenous factors could be understood better through the definition they give for an MNE. They state: "*An MNE is any enterprise that carries out transactions in or between two sovereign entities, operating under a system of decision making that permits influence over resources and capabilities, where the transactions are subject to influence by factors exogenous to the home country environment of the enterprise*". Among these exogenous factors are economic factors. Literature about capitalism including Whitley (1999) and Hall & Soskice (2001) consider that specific market economies are likely to be associated with a specific sets of firm-level practices. Whitley (1999) noted that the extent to which both institutional and competitive isomorphic pressures in any given national context will be dependent on the characteristics of that country.

The characteristics of that country include the extent of government intervention in HRM issues, the power of the various stakeholders in the employment relationship, and how developed a market is in relation to international competition. Economic factors also include the state of the economy. According to Tayeb (2005), when the economy is booming and unemployment rate is low and skilled employees are in demand, employees and candidates have the power to do some pressures over their pay and working conditions. When there is a recession and unemployment rate is high, employees would accept less desirable working conditions to retain their job. Based on the literature, economic factors that could affect IHRM strategies include the type of economy (liberal versus coordinated), the state of the economy (recession, growth), unemployment rate, labour market (demand and supply), inflation rate, employment relationships and the international competition of the market.

Figure 9: Influence of the political economic system on HRM



Source: Adapted from Tayeb (2005)

As for the legal factors that affect IHRM in the host-country, Tayeb (2005) states: *“One of the ways in which a country’s legal system can influence such an internal organizational activities as HRM and industrial relations is of course through the laws and regulations passed on to it by the legislative bodies and government decrees. All nations regulate business activities to some degree and companies like individuals are subject to the laws of the country in which they operate”*. Figure 9 shows the influence of the legal factor on HRM.

As for socio-cultural factors, several studies have shown the influence of the socio-cultural factors on HRM (explained in details in previous sections). According to Dowling et al. (2008), members of a group or society share a distinct way of life with common values, attitudes and behaviors that are transmitted over time in a gradual yet dynamic process. Hofstede (1991) consider that most inhabitants of a country share the same mental program i.e. the same national culture.

On the other hand, there are factors related to the MNC characteristics that affect the IHRM policy of an MNC. The literature about these factors is shown in the table 17:

Table 17: Literature about MNC characteristics factors affecting IHRM

MNC characteristics
International business strategy (Doz & Prahalad 1986; Porter 1985; Evans & Lorange 1989; Kobrin 1992; Schuler et al. 1993; Dowling et al. 1994; Hamill 1984; Welch & Welch 1994; Logger et al. 1995)
International organization structure (Stopford & Wells 1972; Roth et al. 1991; Schuler et al. 1993; Dowling et al. 1994; Jackson & Schuler 1995; Taylor et al. 1996)
Organizational culture (Borg 1987; Evans & Lorange 1989; Welch 1994)
Stage or mode of internationalization (Adler & Ghadar 1990; Schuler et al. 1993; Dowling et al. 1994; Hamill 1994; Welch 1994; Welch & Welch 1994; Dowling et al. 1999; Taylor et al. 1996)
International experience (Hamill 1984; Dowling 1989; Adler & Ghadar 1990; Bartlett and Ghoshal 1991; Milliman et al. 1991; Schuler et al. 1993; Ferner 1997; Dowling et al., 1999; Delios & Bjorkman 2000)
Type or niche of industry (Hamill 1984; Dowling et al. 1994; Logger et al. 1995; Ferner 1997; Dowling et al. 1999; Delios & Bjorkman 2000)
Size of international operation (Hamill 1984; Dowling et al. 1994; Welch 1994; Jackson & Schuler 1995)
Reliance on the domestic/international market (Dowling et al. 1999; Hayden and Edwards 2001)
Top management’s attitudes towards internationalization (Laurent 1986; Perlmutter 1969; Perlmutter & Heenan 1974, 1979)
Senior management’s perception of home HRM (Hamill 1989; Ghoshal & Bartlett 1989; Scullion 1994; Welch 1994; Paauwe and Dewe 1995; Taylor et al. 1996; Ferner 2000; Hayden and Edwards 2001)
Competitors (Schuler et al. 1993)
Location of assignment (Tung 1982; Welch 1994; Baumgarten 1995)
Staff availability (Dowling & Welch 1988; Hamill 1989; Tung and Punnet 1993; Scullion 1994; Welch 1994; Logger et al. 1995; Paauwe and Dewe 1995)

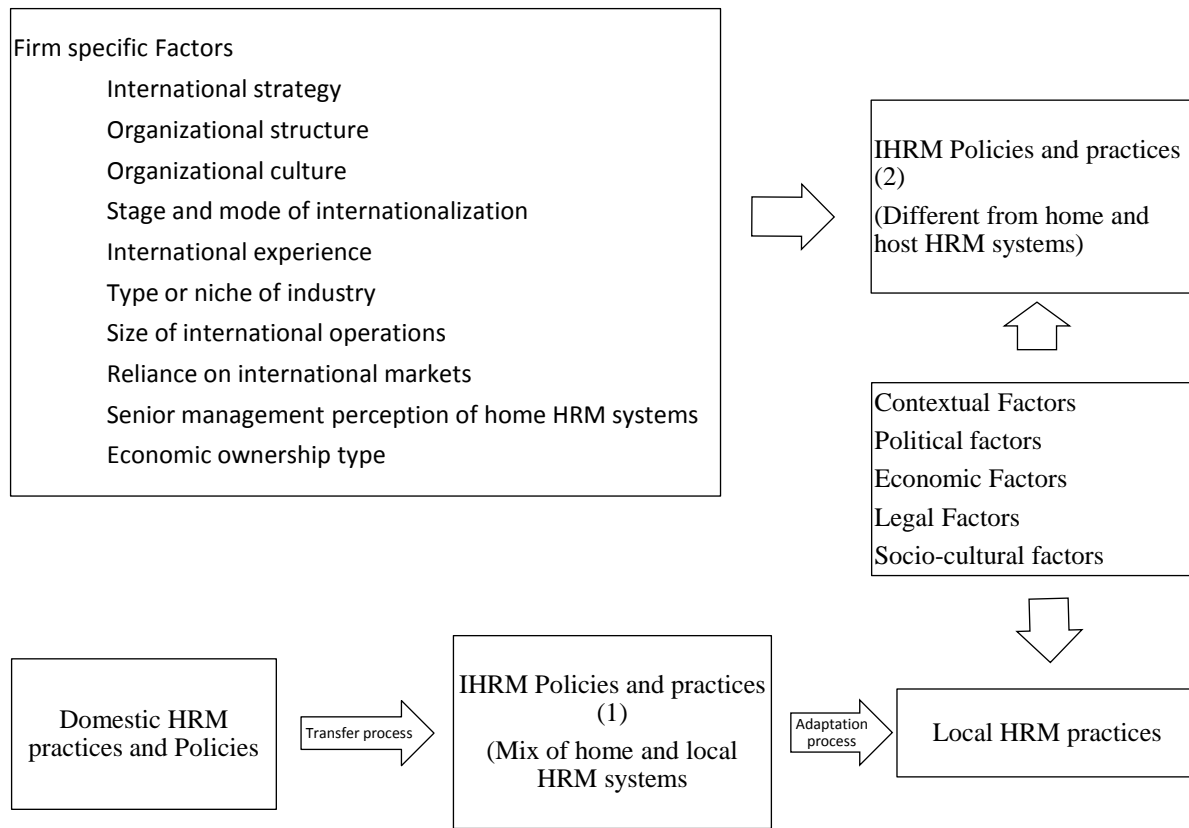
(Source: Developed for this study)

These factors are the top management’s attitudes towards internationalization, competitors, staff availability and location of assignment. The attitude of management towards internationalization has been defended to be an important factor affecting IHRM ever since Perlmutter proposed it in 1969. Several scholars have integrated this factor to their IHRM models (Laurent 1986; Welch 1994; Schuler et al. 1993; Paauwe & Dewe 1995; Taylor et al. 1996; Dowling et al. 1999; Welch

(1994), Schuler et al. (1993), Taylor et al. (1996) and Dowling et al. (1999)). However, this factor can be considered as the fusion of some contextual and firm specific factors especially the international strategy (Kobrin 1992). Furthermore, the attitude of top management cannot be considered as an isolated factor intervening in the IHRM model, instead it is one of the aspects of IHRM strategic integration. For example, an MNC might find it is feasible to adopt a global strategy and might be faced with a situation where it should be responsive to local conditions when it comes to HR practices and thus apply a polycentric approach (Tayeb 1998). This is to assure that the attitude of top management must be regarded as an aspect of IHRM strategic integration. Competition does affect the MNC strategy and thus the IHRM policies. However, competition is affected by the type of industry and the development of the host economies in which firms operate and therefore it should not be considered a separate factor. Staff availability relates to the ability of the MNC to supply internationally experienced managers in addition to the availability of a pool of qualified professionals in the host country's labor market. The availability of qualified staff should not be a separate factor; instead it should be part of the socio-cultural factors of the host country and part of the top management perception of the home HRM. Finally, the location of assignment relates to the political, legal, economic and socio-cultural environment of the host country.

On the other hand, Welch (1994) has developed a generic IHRM model by categorizing factors as contextual, firm-specific and conditional variables. It was argued that Welch's conditional variables must be melded in one of the first two factors. This would result with a new model with two categories of factors: contextual and firm-specific factors. Contextual factors including political, legal, economic and socio-cultural factors represent the external environment in relation to the host country's indigenous influence. Firm-specific factors include international strategy, international organizational structure, organizational culture, stage or mode of internationalization, international experience, type or niche of industry, reliance on international markets, senior management's perception of home HRM and the economic ownership type. An example of a generic IHRM model is illustrated in figure 10 (Welch 1994).

Figure 10: Welch generic IHRM model



2.4 Other approaches to HRM in MNCs

One key HRM issue in the relationship between MNCs and their subsidiaries is the transfer of HR practices. When discussing the issue of transfer of HRM practices and policies we keep in mind three distinct perspectives: market-based, resource-based and micro-political (Edwards et al.,2007). Several other approaches have addressed the issue of transferring HR practices but from different perspectives. This section presents the different approaches to the transfer of HR practices.

2.4.1The market-based approach

The first approach to the transfer of HR practices in MNCs, “the market-based approach”, considers pressures from product, financial and labor markets pushes management into a certain course of action or behavior. This approach assumes that senior managers can identify “best

practices”, determine course of action and implement the decisions effectively. Several international human resource management models focus on how MNCs respond to market pressures. The market based approach is based on the premise that MNCs clearly face competitive pressure. By overlooking an opportunity, they may have to exploit organizational competencies that will actually put them at risk of harming their position in light of the competition. This approach doesn't solely rely on some rational approach of economic calculations, but MNCs which follow this approach exhibit competing rationalities. Decision making is and intrinsically political process, very much affected by power relationships. (Edwards et al.,2007)

This approach stresses on overlooking and exploiting opportunities by using the organizational competencies fully. Nevertheless, decisions concerning the transfer of employment practices are not always governed by rational choices made by a group of actors. Instead, MNCs face competing rationalities of different actors who have different preferences because they are rooted in different national business systems. This approach stresses the competitive pressure on firms to share 'best practice' across their international operations. If a certain behavior leads to substandard performance or profits, then it is endangering the organization's viability. This is often referred to as 'best practice'. The emphasis on best practice assumes that this is readily identifiable and successful management turns on the capacity to diagnose a firm's needs accurately. (Edwards et al.,2007)

2.4.2 The resource-based approach

Tayeb et al. (1996) developed “the resource-based model” which considers that the ability of transferring competencies across sites can be a competitive advantage for an MNC. An empirical study conducted by Schmitt & Sadowski (2003) has argued that the international transfer of employment practices can be explained by a “rationalistic cost-minimization approach”. MNCs try to minimize the costs of centralization and decentralization associated with cross-national personnel policy. The costs of decentralization are related to home country effects whereas when it comes to industrial relations, MNCs are faced with local challenges and thus leading to host country effects. (Edwards et al.,2007)

2.4.3 The Micro-political approach

The micro-political approach emphasizes strategic behavior. The focus is on how actors look to protect or advance their own interests, the resources they use and the resolution of conflicts. The approach focuses on the challenges that transfer brings to the interests of some organizational groups. Transfer is shaped by various channels of influence in MNCs. Within this approach there is also a distinct political approach. (Edwards et al.,2007). Broad (1994) completed a study of a Japanese transplant in Britain which revealed tensions between groups of Japanese expatriates and indigenous managers that impeded transfer. While the former enjoyed the authority of representing the headquarters, the latter retained considerable influence via the network that shared information by gathered rumors and spreading gossip. This approach avoids the problem of determinism, yet provides reasoning behind why companies deviate from institutionalized norms. To be exclusively following a micro-political approach may exaggerate the freedom that actors in MNCs have to pursue course of action that depart from the market or institutional pressures. This approach can't explain how actors within the organization are endowed with power and what role markets or institutions play in this. The lack of knowledge in this area is further expanded by an overpowering managerialist focus. Interest lies in the relationship between different areas of management, mostly those between the subsidiary and the mother company or corporate center. The role of employees in the decision making process at the HRM policies and practices level is less of a focus. (Edwards et al.,2007)

Market pressures and distinct national institutional frameworks greatly influence the transfer of HRM practices and policies from MNCs, yet they leave an open range of indeterminacy for actors within the MNCs. The detailed activity and interdependence is what lead Edwards et al. (2007) to the argument for integration between market and institutional focus and internal political processes. This is a 'political economy' approach. Institutions are objects of contest and actors, especially at the senior levels, control the allocation o resources across borders. They can influence the institutional context and government policy indifferent countries. By shaping local context, the MNC will create a more receptive environment, one more receptive to transfer practices. These 'shapings' of local factors are of course contested at the start, but transfer is the evolution of markets and institutions. (Edwards et al.,2007)

2.4.4 The structural approach

The structural approach considers that the transfer is influenced by the role the subsidiary plays within the MNC (Ghoshal & Nohria,1993), the degree of inter-unit dependence (Taylor et al.,1996) and the internal and external networking in which the subsidiary is mapped (Zanfei, 2002). If the subsidiary is very attached and integrated to the MNC having the role of implementing strategies of the parent company, it will be a receptor of the knowledge and practices being transferred (Gupta & Govindarajan, 1991). However, if the subsidiary is located in industries that possess a central structure, there is less pressure in the transfer of practices from the home country (Rosenzweig & Nohria,1994).

2.4.5 The rational approach

The rational approach focuses on the pressures that MNC face to share “best practices” through its international operations This is also known as internalization (Rugman,1981). The main idea in this approach is that multinationals can license or franchise their competitive advantage to other companies in other countries. Although this option is risky, advocates of internalization argue that this option allows them not to limit the transfer of their competitive advantage only to foreign subsidiaries. The transfer or the internalization remains in the frontier of the same company.

2.4.6 The knowledge approach

The knowledge approach focuses on the internalization of practices by employees of the subsidiary. It stresses mainly on the competencies of people working in subsidiaries and relates the differences in HR practices to knowledge. According to Lam (1997) and Bhagat (2002), the success of the transfer process of practices across borders is based on the nature of knowledge being transferred.

In conclusion to section 2.4, it could be said that the different approaches analyze the nature of the transfer of practices across borders. The table 18 below summarizes the different approaches. The table divides the approaches into two types of analysis: external and internal. The external

analysis deals with all the external factors that affect the transfer of HR practices, mainly factors related to the home and host country. On the other hand, internal analysis deals with the internal factors that affect the transfer of HR practices such as subsidiary role, knowledge, relational context and the organizational structure.

However, it is important to note that actors are able to shape the transfer process (micro-political approach) that were downplayed by the market-based and the cross-national approaches tried to do. On the other hand, the role of the actors should not be exaggerated to an extent of eliminating the pressures of the market and institutions (market-based approach, institutional approach). From here there is a need for an integrative approach which puts the market, the culture, the institutions and the actors as shapers of the transfer process (Edwards et al.,2007).

Table 18: Theoretical approaches that study the transfer of HR practices within an MNC

Type of analysis	Different approaches	Focus of the analysis
External analysis- Contextual factors	Cultural	Centers on the study of the efficiency of practices in the measure that these coincide with the national system of cultural values
	Institutional	Centers on the different influences of the national institutions in the national business system of the country of origin and the country of destination
Internal analysis- Internal factors	Structural	Centers on the influence of the structural factors of the headquarter and the subsidiary
	Rational	Places emphasis on the pressure that competition exerts in the companies when it comes to sharing the “best practices” through its international experience
	Micro-political	Examines how the agents of the headquarter and the subsidiary would act according to their power based on the critical resources that they possess
	Knowledge	Centers on the knowledge barriers to reach a common understanding in the practices

Source: Susaeta and Pin (2008)

2.5 Transfer dilemma, mechanisms, phases, influencing factors and transfer success

This section aims at explaining the main dilemma MNCs face when transferring their HR practices, the transfer mechanisms, the different phases of the transfer in addition to the factors that affect the transferability of the HR practices and the success of the transfer process.

2.5.1 The dilemma

Discussions on HRM at the international, or MNCs level, were often limited to discussing transfer processes as an ‘either or dilemma’: directly transferring practices from headquarters (centralization), or implementing local practices (localization). Blending practices from MNCs and local subsidiaries (integration) often takes place when the attempt is to transfer the best, or core, HRM practices throughout the organization. MNCs may also be subdivided as those which deal with each of their subsidiaries on a separate basis (differentiated HRM), or whether all subsidiaries must follow the same set of HRM practices (standardization). Here standardization does not equal centralization. Standardization may be based on integration between HRM practices of MNCs and subsidiaries, but once this flow of knowledge has settled the result will be standardized for all subsidiaries of the MNC (Brewster, 2002). Empirical research in HRM clearly shows sensitivity to the local contexts of subsidiaries (Rozenwhig & Nohria, 1994).

There are many forces for “convergence” or use of parent company policies and procedures. Usually, MNCs opt for maximizing economies of scale in R&D, marketing, purchasing and production. This option encourages MNCs further to use practices and procedures that have “worked well at home”. This is related to the MNC’s internationalization strategy and the company’s and country’s culture that supports the idea that “our way is the best”.

On the other hand, several subsidiaries are striving to become centers of excellence and thus “divergence” is spreading. Furthermore, there is evidence that cultural and institutional differences play a major role in the manner universal techniques and procedures are implemented in varying ways within different countries (Briscoe & Schuler, 2004).

Limited research has been made of the extent to which multinational firms involve their HRM functions with their strategic decisions related to integration versus decentralization:

“An important management issue is the design of the international human resource management (IHRM) system, yet there has been little research on what determines the type of human resource management system an MNC chooses for its overseas subsidiaries. A key choice the MNE must make regarding the type of HRM system it institutes in its overseas subsidiary is whether it will allow each subsidiary to create its own HRM system, attempt to create a consistent HRM system between the headquarters and subsidiaries or develop a global HRM system that is created from practices developed in both the headquarters and the subsidiaries. Typical ways of achieving consistency are to transfer the headquarters own HRM system to overseas subsidiary, or to transfer HRM practices between subsidiaries themselves” (Taylor et al., 1996).

The table 19 shows the authors who have recently dealt with the above mentioned dilemma each focusing on specific variables:

Table 19: Literature about the dilemma of transferring HR practices

Author	Findings
Beechler et al., (1993), Hannon et al., (1995), Rosenzweig & Nohria (1994), Taylor et al., (1998)	The degree of centralization or localization of HR practices in foreign subsidiaries was found to be linked with country and cultural differences and with the form of international business strategy and the nature of the local affiliate
Sheridan & Hansen (1996)	The form of coordination between headquarters and subsidiary. Specific aspects of HR practice, such as management development and reward systems were found to be linked with a firm's particular international business strategy, such that, for example, global firms were more likely to rely on internally designed programs.
Dowling et al., (1999), Schuler et al. (1993)	The variables (such as type of international business strategy, nature of competition, extent and pace of change, and flexibility of host country culture) influence the nature of subsidiary HR practices.
Kobrin (1994)	The link between managerial orientations and international human resource practices, e.g., a geocentric mind-set was found to be linked with the broad geographic scope of a firm's strategy and with the use of globalized international human resource policy and practice.
Luthans et al. (1997)	The link of IHR practice with country culture. HR practices were found to differ by country and MNCs from different countries did indeed vary in their likelihood of adapting their subsidiary practices to those of the host country.
Milliman et al. (1991)	A strategic concern for both fit (between headquarters and subsidiaries, between HR functions, and with cross-national environment) and flexibility in IHRM policy and practice was hypothesized to increase in later stages of the organizational life cycle (as an MNC matures).
Caligiuri & Stroh (1995)	The identification of IHR principles for policy and practices that are associated with improved organizational results in international business. For example, it was found that following the most appropriate global HR practice rather than using only the parent-firm's HR practices was associated with better organizational performance.
Yip et al. (1997)	Large global Japanese and European MNCs were found to be more likely to pursue global IHR strategies than was the case for similar American firms.

Source: Adapted from (Briscoe & Schuler, 2004)

The above mentioned researches have tried to find the linkage between corporate international focus and HR policy and practice in foreign subsidiaries. Even though several models were developed but the examination of IHR strategy is still in its infancy.

2.5.2 The mechanism

Human resource practices are implemented at multiple levels. Because of the eclectic nature of HR and the nature of culture and society, actions or theories advocated in one culture may be frowned upon in another. When considering HRM practices at the global level, managers must consider the national, regional, and global HRM issues MNCs deal with (Brewster & Suutari, 2005).

The role of transfer mechanisms in the transferability of HRM practices seems inconclusive, yet there is significant empirical and theoretical research to suggest variables which seem to facilitate transfer.

Harzing (1999) demonstrated that MNCs vary in control techniques according to the characteristics of their headquarters. She explains that subsidiary features such as size, age, function, role, will affect MNCs abilities to control transfer of HRM practices. Another factor key in facilitating transferability is the role of the expatriate (Harzing 2002).

Authority relations, resource power relations, exchange relations, and cultural relations were identified as the relationships between different parts of MNCs. They were found to be channels of transferability for MNCs' HRM practices (Ferner & Edwards, 1995; O'Donnel, 2000).

Transfer through rules, programs, procedures, and expatriates facilitate greater centralization (O'Donnel, 2000). Four mechanisms which also facilitate centralization are: HRM structures, international transfer of managers, socialization mechanism and best practice schemes (Temple, 1999).

Direct transfer of HRM practices takes place when a set of policies is transferred through the authority relationships between the MNC and subsidiary. When guidelines are laid down to subsidiaries the speed of transfer increases. If the MNC has control of the subsidiaries major

resources then the transferred policies may increase proficiency (Wenchuan, 2004). Of course if transferred practices were seen by employees as 'costly', they could be met with objection.

Indirect transfer mechanisms are the implementation of HRM practices through a carrier. This carrier could be training programs for subsidiary employees. The program would train employees to recognize and value the 'company way' of doing things (Coller, 1996). The role of managers moved from the MNC to the subsidiary may be vital in the indirect transfer of HRM practices (Harzing, 2002). Because the expatriate manager is more familiar with the policies of the MNC headquarters, as opposed to the local policies of the subsidiary, s/he will be more willing to transfer MNC policies (Wenchuan, 2004). Expatriates don't just fill positions when qualified candidates aren't available, but they transfer policies and knowledge to subsidiaries (Harzing, 2002). Cerdin's research (2003) states that the greater the number of expatriates in a subsidiary the stronger their role in transferring HRM policies.

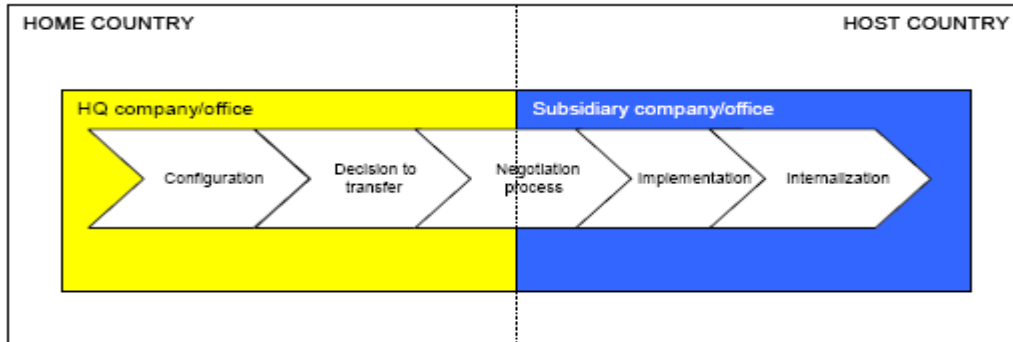
2.5.3 Transfer phases

The HR department has become a critical agent in the success or failure of an MNC's international operations (Quintanilla & Ferner, 2003). It is essential to this study to identify the different phases involved in the transfer in addition to the factors that affect the transfer of HR practices.

The transfer starts with the configuration of the headquarters' policies, which will have been influenced by the country of origin of the MNC. The second phase involves the decision of the parent company to standardize the practices or to adapt these practices to the host country. In the third phase, negotiation between the parent company and the subsidiary starts as of to determine the subsidiary's role. The subsidiary's negotiation power is based on its possession of critical resources. The following phase is the adaptation of the practices and as a matter of fact its internalization by employees working in the subsidiaries (Figure 11).

Figure 11: Phases of the transfer process

Phases in the Process of transfer of HR Policies and Practices Within an MNC



Source: Susaeta and Pin (2008)

The transfer approaches can be linked to the transfer phases through the table 20:

Table 20: Linking the transfer approaches to transfer phases

Phases	Theoretical approach	Determining factors
Configuration of the policy	Cultural	National value system of the country
	Institutional	Institutional profile of the country of origin
Decision to transfer	Institutional	Dominant effect of the country of origin
	Rational	Best HR practices
	Strategic	Decisions taken by the board is either arbitrary or reflects interests of the managers
Negotiation process	Micro-political	Power based on critical resources
	Structural	Role of the subsidiary in the MNC
		Degree of integration in production
		Manner of entry
		Age of the subsidiary
Dependance on local inputs		
Implementation	Cultural	National value system of the country of destination
	Institutional	Institutional profile of the country of destination
	Power and institutionalism	Response of the agents of the subsidiary to institutional pressures
Internalization	Cultural	Workers satisfaction with and commitment to the HR policies and practices
	Knowledge	Degree of tacit and explicit knowledge regarding HR policies and practices
		Manner of communication of HR policies and practices to employees
		Use of IT in HR policies and practices

Source: Susaeta and Pin (2008)

As shown in the above table, each phase embeds difficulties and barriers that might delay or even prevent the completion of this phase. The first phase, the configuration of the policy, occurs in the headquarters of the MNC. This phase is affected by the national values and the institutional profile of the country of origin. The decision to transfer is the second phase and also occurs in the headquarters of the MNC. In the case in which the country of origin possesses an important institutional force, this may turn into the so-called dominant effect. In this sense, national systems such as the American or Japanese impress their distinctive seal in the configuration of their practices, so much so that MNCs from these countries have been able to transplant their practices to the subsidiaries with high levels of success. Specifically, in the case of North American multinational companies (US MNCs), this is called “Americanization”. If the country of origin is characterized by a dominance effect, the decision to transfer would be more favorable. The reason behind this factor is that when a country’s institutional profile supports the idea that “we do things the best way”, the HR professionals in the parent company will support the idea of transferring the HR practices. Another factor that fosters the decision to transfer is when managers have a certain personal interest in transferring practices. The third phase is the negotiation between the parent company and the subsidiary. As all negotiation processes, the power balance dictates a win-win or win-lose results. The result of negotiations is affected by the place, the role and the structure of the subsidiary within the MNC. If the MNC depends on a resource only accessible through the subsidiary, the power balance will be in favor of the subsidiary. Furthermore, if the subsidiary is small in size or young in age (recent implementation date), the negotiation output might be in the favor of the parent company. The main difficulties that are embedded in this negotiation phase are the multitude and complexity of factors that affect this negotiation phase. On the other hand, it is important to note that this phase is a decisive phase since the output dictates the nature of the HR policies that will be implemented in the subsidiary. The organizations are capable of developing a range of strategic responses that extend from the total adherence, passing through the evasion of the compromise to a complete resistance.

As for the following phase, the implementation, the main barriers come from the host country. Culture is crucial in facilitating or complicating the implementation of transferred HR practices. Furthermore, as any change or innovation being implemented in any organization, resistance to

change might occur. As a matter of fact, the main barrier to the implementation of transferred practices is the potential resistance of employees to these transferred practices.

The final phase is the internalization of the practices by the employees of the subsidiary. This phase is immersed in several difficulties. The first difficulty can come from the satisfaction of subsidiary's employees in existing HR practices. This satisfaction and commitment to existing practices delay the internalization of practices by subsidiary's employees. The second difficulty comes for the type of knowledge transferred. Due to the cognitive aspect of tacit knowledge that HR practices possess, it is difficult to transfer them within the MNC. Kostova & Roth (2002) underline this difficulty: "The judgment of the employees of the company on a new practice is influenced by their knowledge and beliefs, all of which has been configured by the external institutional environment where they evolve. This context influences in the employees' receptive ability to understand a determined practice, the road in which it is interpreted, the value they give it and the motivation they possess to adopt it." Another study conducted by Saka (2002) studied Japanese MNCs operating in England. The study focuses on the difficulties that the three subsidiaries have faced when they had to internalize concepts such as "the spirit of the body" or the "group spirit", proposed by the parent company in Japan. The difficulty of internalizing comes from the cultural difference and the type of knowledge transferred. On the other hand, Gamble (2003) has studied the transfer of practices from a British MNC to its subsidiaries in China. The practice under study was the introduction of the first name to refer to both employees and management. This practice was not internalized by employees who come from a culture which scores high on power distance (Hofstede, 1980). The practice was, according to Gamble (2003) transferred apparently but not internalized. Here, the practice was implemented but not internalized as Chinese employees used the first English name to call their supervisors but not their Chinese name because this practice is not acceptable in the Chinese culture.

2.5.4 Factors affecting the transferability of HR practices

The theoretical and empirical research implies that the transferability of HRM practices depends on multiple factors and decisions are taken on a case by case basis. Therefore, no one method or theory in transferring HRM practices from MNCs to subsidiaries is dominant as a trend. However it can be said that HRM practices which are transferred to subsidiaries will only be

effective to the extent to which they are internalized. Policies which are internalized by employees of the subsidiaries may then become institutionalized practices of the entire organization. This results in the evolution of HRM practices from the MNC headquarters as invasive rule application to a source of competitive advantage and organizational, corporate identity (Kostova, 1999; Wenchuan, 2004).

While a plethora of variables could theoretically affect HRM practice transferability, there are three common factors related to the transferability of HRM practices from MNCs to subsidiaries. The first is related to the extent to which MNC headquarters, administration and philosophy are influenced by the national culture. The second factor relates to the host country of the subsidiary. This factor extends from the distance between the home and host country culture, to the economic, political, social and industrial situation of the host country. The third and final factor is the role of the subsidiary to the headquarters (Beechler & Yang, 1994; Lu & Bjorkman, 1997). Empirical data also makes a case for knowledge, innovation, and transfer mechanisms as key factors in the centralization, integration and decentralization (Harzing, 1999).

The organizational structure of MNCs can greatly affect the transferability of HRM practices to subsidiaries. Global strategy is highly centralized by the pursuit of global efficiency and consistency. Such a centralized strategy results in subsidiaries dependant on MNC headquarters. Global strategies achieve conformity among subsidiary members through coercive pressure on employees to conform to practices, and thereby allowing for transferability (Wenchuan, 2004).

Research by Anthony Ferner and his associates (Ferner, 1997; Ferner *et. al.*, 2001) has related diverse tendencies when attempting to create centralization of HRM practices between MNCs and subsidiaries. This is especially true in relation to the country of origin of the MNCs. The case of American and European theories of centralization provide an excellent example of headquarter location as a catalyst for HRM transfer. American MNCs tend to centralize and formalize HRM practices whereas European MNCs tend to localize or blend practices.

2.5.4.1 Subsidiary Role

Much of the research on the transferability of HRM practices to subsidiaries is based on subsidiary autonomy.

The subsidiary has an impact on shaping human resources practices and policies. Several scholars have dealt with subsidiaries' roles and strategies: Bartlett & Ghoshal (1986); Otterbeck (1981); Poynter & Rugman (1982); White & Poynter (1984). The relationship of the parent company to subsidiaries was the theme of different researches including Brandt & Hulbert (1977), Cray (1984), Gates and Egelhoff (1986), Otterbeck (1981), Picard (1980).

Namazi (2004) has related the degree of centralization and resources retention by subsidiaries to subsidiary's degree of autonomy. The importance of the subsidiary's resource, the subsidiary's freedom to control resources, and the number of available alternatives to subsidiary resources will determine the dependence of the MNC on the subsidiary (Beechler & Yang 1994).

Government policy that is typically designed in such a way that it attracts foreign investment, is justified by the range of economic benefits to the country if such investment was provided. The foreign company investing is typically an MNC and MNCs provide economic growth, provision of superior management, marketing and technological expertise, and improved access to export markets (Vachani, 1999).

The push for centralization may significantly be determined by the subsidiary's control of valuable resources. Resources which MNCs value, whether these are financial or non-financial, are important to the transferability of HRM practices. If the subsidiary holds a considerable amount of an MNC's valued resources, its autonomy increases. In cases where subsidiaries depend less on MNCs, MNCs will tend to integrate local and centralized HRM practices (Namazie, 2004; Yan & Gray, 1994).

Not all subsidiaries have equal roles in relation to the entire international organization. Size, turnover, market position, and function increase the power of a subsidiary's role (Bartlett &

Ghoshal, 1989) MNCs will be less likely to centralize HRM practices if the subsidiary is an autonomous entity. Receptive strategy subsidiaries are integrated and high regulated by the MNC headquarters. Some subsidiaries fall between with a certain level of autonomy in some areas, but which work within a centralized organizational system (Hannon et al., 1995). This is dependent on the type of resource and its importance to the MNC's headquarters.

A subsidiary involved in research or development will be much more important to an MNC as compared to a subsidiary which services only local markets (Temple, 1999). Along the same idea of resource dependence, Ghoshal and Nohria (1989) argue that the more the MNC relies on the subsidiary for valuable resources, the more likely it is to attempt control over the subsidiary's resources via centralization. In reality both prove true. As a headquarter office depends more and more on the subsidiary the more it will want to be in control, while the subsidiary gains power through resource dependency. The importance of the subsidiary's resource, the subsidiary's freedom to control resources, and the number of available alternatives to subsidiary resources will determine the dependence of the MNC on the subsidiary (Beechler & Yang 1994).

This relationship between the subsidiary and MNC is reinforced by equity ownership structure. Strategic importance was paid not only to those subsidiaries with valuable resource control, but also to those with an equal holding of company shares. In cases where the majority of the subsidiary was held by the foreign partner, the foreign power controlled valuable resources, management policies, and other HRM practices were centralized to the MNC. Even if the approval of the subsidiary was sought, the decisions were made by the MNC (Namazie, 2003).

In order to ensure that this host company is maximizing its benefit from the operation of a subsidiary there are 3 general conditions which must be met and these three conditions add to that autonomy of the subsidiary. The first condition is that there is some level of design and engineering because 'down stream' innovation not only embodies the high value-added component companies look for, but also because this is the most valuable activity of the subsidiary. New products should be launched. Old products merely transferred limit the scope of

domestic innovation. Third, a subsidiary needs to have responsibility for global marketing of its product lines (Edwards et al.,2002)

Stopford & Wells (1972) found that at the onset of MNCs and foreign subsidiaries, most subsidiaries were autonomous. It is such subsidiaries which are at one clear end of the decentralized spectrum. With time the MNCs tended to create an international business division, located within the parent firm but which separate from domestic operations, which controlled and coordinated international business activities. Currently, two different structures are in place: world wide product division, and regional division. (Edwards et al.,2002)

The world wide product division assumes all global responsibility for a particular line of products while the regional divisions have a regional head quarters. Each regional headquarter is responsible for all the companies activities within that geographical region. The world wide product divisions are at the highly centralized side of the spectrum while a regional division is more intermediate in nature. Neither is it highly decentralized, nor centralized, rather it falls into the middle. Manager of regional divisions are closer to customers and therefore they may be in a better position to adapt production and products one a regional or national basis, thus creating an intermediate position. (Edwards et al.,2002)

In fact subsidiary autonomy is determined by a very complex set of factors which often changes on a case by case basis. Often times no rigid rule appears to hold true. For example, one might imagine that the parent company would make major decisions in regionally based and world wide product divisions. In fact it seems that while strategic decisions tend to fall into the hands of the parent company, other decisions seem to be the prerogative of the subsidiary.

Second, in a study on Malaysian MNCs and subsidiaries, Edawards et al. (2002) found that subsidiaries representing part of MNCs with decentralized international divisions gave subsidiaries more autonomy; however this autonomy was found to be limited to marketing and product strategy. The study further showed that the more integrated the MNC's global operations

seemed to be, the greater the control over the subsidiaries. In fact Edwards et al.(2002) showed that subsidiaries possessing regional marketing mandates offered host countries the most in terms of local management autonomy.

Recently the research on subsidiaries has moved from the headquarter-subsidiary relationship to the subsidiary itself. Interest in the capacities and developments of the subsidiary as an operational unit under the auspices of the MNC yet situated outside of the home country. (Paterson & Brock, 2002)

Depending on what is advantageous to MNCS, the role of the subsidiary is developed. The MNC must determine the proper combination of centralization and autonomy under which the effectiveness of the subsidiary is maximized. Birkinshaw (1996) identified local, internal, global and hybrid market initiatives as forms of the subsidiary initiative. According to Birkinshaw, although high autonomy appears crucial for local and global markets, it is really low autonomy which associated with internal market and hybrid initiatives. It is high parent-subsidiary communication which is associated with internal market and hybrid initiatives, while the reverse is true of local and global market initiatives.

There are three interacting drivers of subsidiary evolution and capability creation: initiatives: head-office assignment, subsidiary choice, and local environment determinism. Later researchers (e.g Andersson *et al.*,2001) tried to determine links between subsidiary initiative and specialized resources.

Power creation and autonomy are closely intertwined with subsidiary initiative. Delegation of power is a gift to be taken and given. While it can be gained through exceptional performance, ability, or capabilities, it remains a means by which one can be controlled. The ability to acquire rare competencies and capabilities

2.5.4.2 The Role of Knowledge and Innovation

HRM practices, whether domestic or international, cover a variety of areas. Dowling & Schuler (1990) make a case for the importance of factors such as staffing, recruitment, assessment, compensation, training, development, and industrial relations over other HRM variables and practices. However much of the recent literature on HRM practices focuses on two general HRM practice characteristics: knowledge and innovation (Hislop, 2003).

HRM practices are based in knowledge of written documents of a company but also in an employees' knowledge of the routines, values, work ethics, practices, and norms of the corporation (Hislop, 2003). DeLong & Fahey (2000) further define knowledge as a part human, part social and part structured. This poses an interesting dilemma in the transferability of MNCs HRM practices to subsidiaries. If knowledge is so divided, then a large part of employee knowledge isn't tangible. Measuring or explaining what is known is difficult due to the personal and context specific nature of much of this knowledge while more explicit forms of knowledge are transmittable in formal language, such as written documents on company policy concerning vacation time. Therefore MNCs will find difficulty in wholly transferring HRM practices tied to implicit, understood, knowledge of their 'implicit' HRM practices (Hislop 2003; Polanyi, 1985). HRM practices may also include complex elements and independent or systematic components of knowledge. Transferring knowledge from the MNC to subsidiaries will prove difficult if the knowledge is systemic. Systemic knowledge is necessarily linked to the body of previously understood knowledge in the MNC. Because centralization, and to some level integration, involves the transfer of complex, tacit and systemic knowledge it will be more difficult for the MNCs to transfer and for the subsidiary to absorb. MNCs wishing to increase the absorption of HRM practices must find ways to increase employee ability and motivation to absorb (Minbaeva et al., 2003).

Ideas which were previously unseen to an individual are, to that individual, innovations. In terms of HRM practice and transferability, innovation is the transfer of HRM practices from MNCs to subsidiaries successfully (Hislop., 2003). Direct and indirect costs of innovations are the main inhibitors to successful transfer (Wejnert, 2002). Indirect costs are not clearly defined and may

refer to non-monetary cost such as time, or social influence. Direct costs are clearer and relate directly to monetary elements, like the economic situation of the subsidiary (Gerwin, 1988). Based on innovation and cost, HRM practices will be more or less centralized depending on the public can private consequences of transferability. If more centralization results in beneficial public and private consequences, transfer is simplified and successful, while centralization which lacks benefit will be difficult to transfer and absorb.

On the other hand, researchers have shown that there are various barriers to the transfer of practices successfully. These barriers are related to practices being transferred and to some cultural and organizational issues.

According to Kostova (1999) the following definition is proposed regarding the success of transferring practices:

“The success of transfer is the degree of institutionalization of the practice at the subsidiary. Institutionalization is the process by which a practice achieves a taken-for-granted status at the subsidiary; a status of ‘this is how we do things here’”.

2.5.4.3 Implementation and Internalization

In some cases, home country values may not be compatible with host country values. As a result, these formal rules describing the practices may not be directly adopted but only when they become internalized at the subsidiary. According to Kostova (1999), adoption success depends on the degree of institutionalization of the HRM practices at two levels: the implementation level where the employees simply follow formal rules and at the internalization level which is reached when employees become committed to the practice. It is easy to implement but very difficult to internalize. Thus, “best practices” may not bring positive results until employees become fully committed (Rowley & Benson 2002). Implementation is a prerequisite for internalization. However, implementation may not necessarily lead to internalization. Employees might be fully implementing the practices and following strictly rules but not necessarily having a positive attitude towards these practices (Kostova 1999; Rowley & Benson 2002).

2.5.4.4 Relational Context

A reason why the transfer process might sometimes fail although both the cultural and the organizational contexts are favorable resides in the relationships that exist between the parties involved in the transfer (Szulanski, 1996). According to Kostova (1999), these parties are called the “transfer coalition” which is composed of two groups of people: a stable “core” and flexible “expert” group. The core group is composed of the senior managers of the subsidiaries which usually include the CEO and the HR director of a subsidiary. The expert group includes employees who are expert in the functional area of the practice. For example, if a “training method” has to be transferred, the transfer coalition might include professionals from the human resource department, the HR director and the CEO. This coalition bridges the gap between the subsidiary and the parent company and try to understand and interpret the practice and its value to their subsidiary. They also market the practice internally to employees of the subsidiary. They decide what is communicated, how it is communicated and how it is received (Bartlett & Ghoshal 1998). The transfer cannot be successful without resources which are in the hands of the transfer coalition.

2.5.4.5 Attitudinal relationships

According to Kostova (1999), attitudinal relationships affect the motivation of the transfer coalition to engage in the transfer process. The value of the practice being transferred is usually difficult to assess especially HR practices. Therefore, the transfer coalition must be motivated continuously. MNCs should engage in management development programs that serve as a binding force between various subsidiaries and the parent company. Through job rotation and management development, the subsidiary’s manager’s values and norms are aligned with those of the parent company (Adler 2001; Briscoe 1995; Nankervis et al. 2002; Schuler at al. 2002; Schuler at al. 1993). When managers of subsidiaries identify more with the parent company, they will not see those transferred practices as strange and coming from an outsider. If members of the transfer coalition identify with the parent company, they will prefer to be similar to the parent company and thus adopt the practices used by the parent (Kostova 1999). When trust between the subsidiary and the parent company increases, the uncertainty regarding the value of the practice being transferred will be reduced (Bromiley & Cummings 1995). Higher trust was

shown to be positively related to the success of transferring practices (Poedenphant 2002; Szulanski 1996).

A conceptual model was developed to evaluate whether the transfer was accomplished. This conceptual model was developed by Professor Ingmar Bjorkman at the Swedish School of Economics. The research considered that not all transfer of management practices from parent companies to subsidiaries are successful. Bjorkman (2007) outlined a model of factors influencing the transfer of HR practices. Three dimensions were used to better understand the transfer process: implementation, internalization and integration. Moreover, Bjorkman (2007) considered that the transfer is more a social process more than anything else. The research emphasized on the importance of governance mechanisms used by the MNC, characteristics of the subsidiary HR system, the social relationship between the parent company and the subsidiary, and the transfer approach taken by the parent company's management.

The research of Bjorkman examined the three dimensions of the transfer outcome: implementation, internalization and integration in addition to identifying a list of factors that affect the outcome of the transfer.

Three main questions are asked:

- To what degree practices are implemented?
- To what degree practices are internalized?
- To what degree practices are integrated?

Implementation is defined as the empirically observable behaviors constituting the enactment of the transferred practice (Kostova & Roth, 2002). The major problem is that the transfer of practices might not be implemented the way the parent company was expecting it to be. Beer et al. (1990) consider that expectations from a desired organizational change might not match the real outcome. Implementation assessment evaluates therefore to what extent the practices transferred from the parent company are enacted in practice in subsidiaries. **Internalization** means the degree to which these practices become accepted by employees of the subsidiary and to what extent those practices become appreciated and valued by employees (Kostova & Roth, 2002). Internalization even goes beyond by trying to identify to what extent employees of

the subsidiary become committed to the practice (Kostova & Roth, 2002). **Integration** is defined as to what degree a transferred practice is linked up with existing practices used in the subsidiary. External integration is concerned with the degree to which a company strategy and its HR strategy are aligned (Miles and Snow, 1984). The internal integration is concerned with the degree to which HR practices are aligned (Delery and Dort, 1996).

2.5.5 Transfer success

A study by Bjorkman (2007) has listed a list of factors that affect the outcome of the transfer process. The factors are the MNC governance mechanisms, the intra-organizational social capital, and the subsidiary HR system.

2.5.5.1 MNC governance mechanisms

The first category of factors deals with the MNC governance mechanisms. Under this category, two factors are listed: subsidiary autonomy and performance evaluation criterion.

Subsidiary autonomy

Subsidiaries might have varying degrees of autonomy. Subsidiary autonomy is evaluated from a resource dependence or bargaining power perspective. A research by Hannon et al. (1995) has confirmed that if the subsidiary is very dependent on the parent company, its HR practices will be more similar to practices of the parent company. These dependent subsidiaries will be obliged to adopt the parent company's practices. Practices could be implemented by the subsidiary if it lacks autonomy but implementation does not mean necessarily internalization of practices. One reason behind barriers to internalization is that employees might perceive the transfer process as imposed and forced on their subsidiary (Kostova & Roth, 2002). The level of integration is most probably lower in subsidiaries very dependent on parent companies. Adoption of practices imposed by subsidiaries might be easier than integration of practices with existing ones. The hypotheses developed by Bjorkman, 2007 will be used for this study.

Performance evaluation criterion

Managers of subsidiary might work for the implementation of HR practices if they feel that these practices are used to evaluate their performance. If subsidiary managers value the HR practices being implemented as tools for evaluating their performance, they will be motivated to implement these practices (Bjorkman, 2007). Some MNCs might offer financial incentives for managers to implement those transferred HR practices (Roth & O'Donnell, 1996).

When the subsidiary has a high degree of autonomy, subsidiary employees will not see any obligation for internalizing the practices. Implementation is easier than internalization and even easier than integration. If financial motivators are implemented, managers might engage in a ceremonial implementation and will be far from integrating those practices with their existing ones (Kostova & Roth, 2002).

2.5.5.2 Intra-organizational social capital

The second category of factors deals with the intra-organizational social capital. This dimension of factors evaluates the relationship between MNC headquarters and the subsidiary. This relationship may influence the transfer of HR practices. According to Nahapiet & Ghoshal (1998), social capital is defined as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit”. Social capital has three interrelated dimensions: structural, relational and cognitive. According to Tsai & Ghoshal (1998), trust and shared vision which are the building blocks of the relational and cognitive have an influence on resources exchange within an MNC. On the other hand, when subsidiaries trust their headquarters, organizational practices were transferred smoothly to overseas operations according to Kostova & Roth (2002). The structural dimension of social capital is related to interpersonal relations between employees or units within the organization. The creation of networks and ties between actors is the main manifestation of the structural dimension. The cognitive dimension goes beyond simple ties and focuses on shared representations, interpretations, languages, codes, narratives and systems of meanings among parties. As for the relational dimension, it focuses on friendships, mutual respects and trust among individuals within an MNC that were created through time (Bjorkman, 2007).

The three dimensions of social capital will be categorized as Interaction ties, shared cognition and trust. According to Tsai & Ghoshal (1998), shared cognition and interaction ties have a direct influence on resource exchange. The three dimensions are interrelated and have a direct effect on the transfer of HR practices within an MNC (Nahapiet & Ghoshal, 1998).

Interaction ties

Interaction ties can be developed either through formal or informal mechanisms. Formal mechanisms are essential to manage and coordinate operations. However, formal mechanisms may become less efficient as the MNC becomes larger and more complex (Martinez & Jarillo, 1989). Informal mechanism may come as a complement to formal mechanisms through personal rotation, short term visits, participation in joint training, inter-unit meetings, cross-units meetings, task forces and committees (O'Donnell, 2000). Informal integration may enhance openness to other nationalities and cultures (Edstrom & Galbraith, 1977). When interaction ties are created, the transfer of practices decrease since the actors involved in the transfer will know whom to contact to facilitate the transfer and whom to ask for help whenever needed to better integrate HR practices within the subsidiary's practices and processes (Bjorkman, 2007). As to the relation between interaction ties and internalization, Kostova & Roth (2002) believe that there is no significant relationship between the two variables.

Shared Cognition

According to Nahapiet & Ghoshal (1998), shared cognition between the MNC headquarters and the subsidiary means the extent to which they share common language, vocabulary and narratives. If both parties have shared cognition, the subsidiary will recognize the value of the proposed HR practices. Communicating in the same language, for example English, is an important facilitator of the transfer process. According to Kogut & Zander (1996), the existence of shared company-specific communication codes may facilitate the transfer of Knowledge within MNC. Nahapiet & Ghoshal (1998) pointed out that the existence of shared detailed stories full of detailed information can also facilitate the transfer of practices. Success stories about the implementation of HR practices in other subsidiaries may motivate the subsidiary to implement

and integrate the practices and thus lowering the cost associated to implementation and integration.

Trust

Several researches have assured that the existence of trust between the sender and the receiver of knowledge facilitates the knowledge transfer and exchange (Nahapiet & Ghoshal, 1998). According to Kostova & Roth (2002), trust of the subsidiary in the headquarters influenced the transfer of organizational practices to foreign subsidiaries.

2.5.5.3 Subsidiary HR system

The third category of factors deals with the subsidiary HR system. Under this category, two factors are discussed: satisfaction with existing HR practices and HR capabilities.

Satisfaction with existing HR practices

The extent to which the subsidiary is satisfied with their existing HR practices influences their perception and interpretation of new HR practices proposed by MNC headquarters management. The more they are satisfied, the less they will accept new practices and the more resistance they will show to any new practices. According to Katz & Ellen (1982) and Szulanski (1996), the resistance is stronger especially if the existing practices were conceived by the subsidiary management and therefore an attitude of “not invented here” may hinder the transfer of new HR practices. This attitude of resistance becomes stronger if the new practices are perceived as being forced by the headquarters on the subsidiary and thus replacing by force their already functioning practices by new enforced practices. “By force” implemented practices are less likely to be integrated by subsidiaries management which view them as unimportant to the performance of their unit.

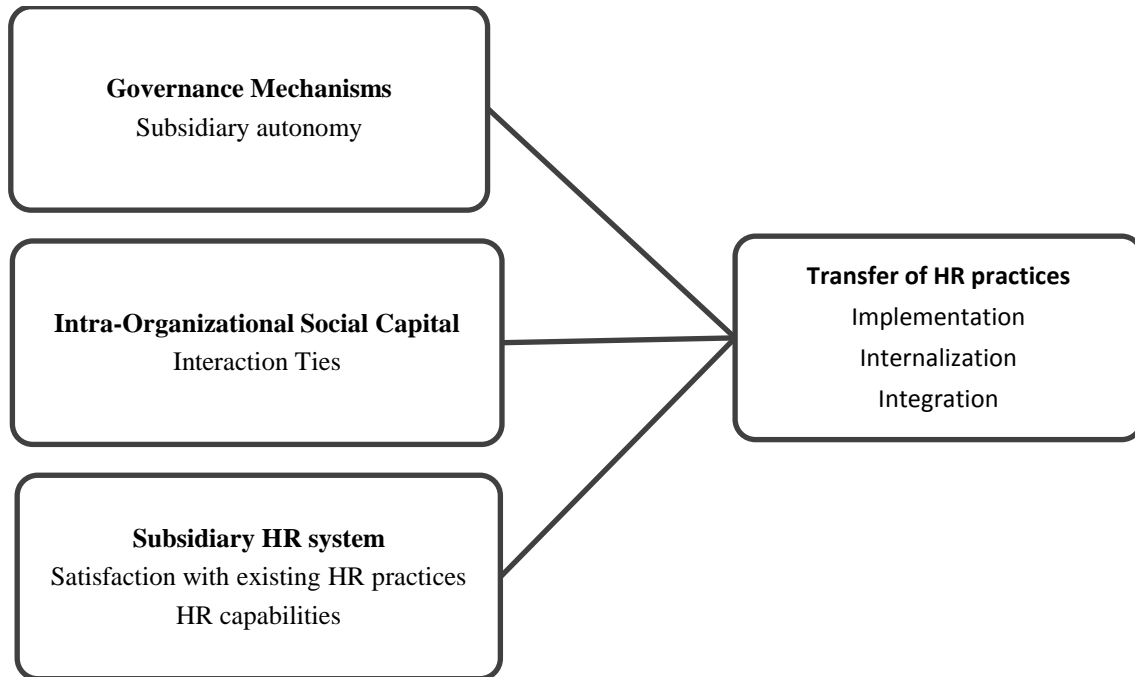
HR Capabilities

Cohen & Levinthal (1990) considered that the capabilities held by the receiving organization are important in the successful receipt of practices. As a matter of fact, subsidiaries having high-level HR capabilities will implement and integrate the transferred HR practices effectively. Line

managers will support the integration of HR practices especially if HR capabilities are perceived by the top management of the subsidiary to be high (Truss et al., 2002). The internalization of HR practices is believed to be higher in subsidiaries with strong beliefs in the organization’s HR capabilities.

Bjorkman (2007) developed the following model to explain factors affecting the transfer process:

Figure 12: Model of Bjorkman



Source: Bjorkman (2007)

As for Martin & Beaumont (1999), they explain that within the political relations between the subsidiary and the Headquarters that there are “several forms of resistance, conformity and negotiation.” The authors classify the different manners in which managers of subsidiaries respond (Table 21) ranging from a measured cooperation to an open opposition or deliberate sabotage of the practices. This classification underlines the multiple forms of resistance that may occur due to the power of resources:

Table 21: Type of responses from subsidiary to the transfer of HR practices

Category	Types of responses by subsidiary managers to the transfer of practices
Self-serving co-operation	Cooperating with those practices that serve local interests
Benign neglect	On-the-surface cooperation with little implementation
Introduce “Home grown” policies	Introduce local practices to head off headquarters’ practices
Public compliance/private defiance	On-the surface cooperation but covert implementation of “home grown” practices
Resistance through distance	Distancing the subsidiary through arguing for the subsidiary’s unique culture to headquarters in order to adapt more culturally appropriate practices
Overt opposition	Principled opposition through representation to headquarters practices backed up by threats
Deliberate subversion/sabotage	Deliberate interventions by subsidiary managers designed to subvert headquarters’ practices

Source: Martin and Beaumont (1999)

In conclusion to this chapter, research about the transfer of HR practices within MNCs remains a crucial area in the IHRM field. Recent research has shown that companies in different countries differ with respect to their HRM policies and practices (Ferner, 1997). Moreover, several researchers have considered that transferring HR policies and practices to different countries can be problematic (Rozenweig & Nohria, 1994; Hofstede, 1980; Yuen & Kee, 1993; Bae et al., 1998). The obstacles that hinder the transfer process are related to the host-country’s cultural and institutional environment. Despite the dominance of the universalist theory that considers that management practices can be applied anywhere, the literature is rich with studies that show that managerial attitudes, values and behaviors are different across national cultures (Hofstede, 1980; Trompenaars, 1993; Jackson, 2002). From here, and since HRM practices are based on cultural beliefs that reflect the basic assumptions and values of the national culture in which organizations are embedded, an important question arises: What happens when MNCs want to transfer some of their HRM practices overseas? The answer becomes even more complicated when the assumptions underlying such practices don’t fit the cultures of the recipient host-

countries. On the other hand, individual behavior is also affected by social structures that guide or constrain individuals through their roles and positions within institutions in addition to the role of these institutions within the entire social system (Lukes, 1973; Fay, 1996). Institutionalists argued that social institutions influence company practices in a systematic way resulting in structures and processes that reflect the national patterns (Sorge, 1995; Whitley, 1992). When it comes to transferring HR practices to host-countries, Ferner (1994) considers that the extent to which firms are able to transfer country of origin practices depend on host-country national business systems and their institutions which can either facilitate or inhibit the transfer. Host-country legal regulations can make some pressures on subsidiaries (Taylor et al., 1996; Schuler et al., 1993) and can constrain the transfer of HR practices from the parent company (Beechler & Yang, 1994). On the other hand, various human resource management practices are contingent upon the MNCs' international management strategy (Adler & Ghadar, 1990; Heenan & Perlmutter, 1979; Milliman *et al.*, 1991; Tung, 1982; Tung & Punnett, 1993). From here, research has shown that MNCs should adapt their transferred HRM practices to the cultural and institutional environments of the host-country in order to avoid negative consequences that may affect the subsidiaries' performance (Newman & Nollen, 1996; Schuler & Rogovsky, 1998; Beechler and Yang, 1994; Tayeb, 1998). This decision to adapt is reflected in the international strategy it chooses vis-à-vis its subsidiaries.

2.6 Research framework

The research framework is based on the literature review and conceptualizes the transfer of practices within MNCs. Host-country effects are studied from two interdependent perspectives; cultural and institutional. Home-country effects or country-of origin is also considered in this study aiming at differentiating American and European MNCs with regard to their transfer of HR practices.

2.6.1 Host-country effects

The thesis draws on two different theoretical perspectives including the institutional theory and the cultural theory. Integrated together, the two theories offer a more balanced perspective on the transfer of human resource practices by including the host-country influences. According to

Myloni et al. (2004), using one framework may not be adequate to identify the multiple influences on the transfer of HRM. According to Clark et al. (1999), only 10.5% of the articles reviewed in comparative and international HRM used both institutional and cultural theories to explain their research findings. To capture a wide range of host-country factors, both frameworks should be studied (Myloni et al., 2004).

The institutional theory is highlighted by those factors within the local subsidiary environment that constrain the transfer of standard practices. The institutional theory considers that companies that share the same institutional environment will become isomorphic to each other (DiMaggio & Powell, 1983). The application of the institutional theory to the practices within the subsidiaries of MNCs studied is interesting since it shows how the subsidiary in Lebanon faces a dilemma between institutional pressures and competing isomorphic pulls to achieve legitimacy to both insiders and outsiders. The subsidiary will experience the pull to adapt local practices that are legitimate in the local institutional environment of the host country and at the same time, it will experience the pull to achieve internal consistency in the company by adopting practices from the headquarters (Rosenzweig & Singh, 1991).

Sorge (1995) considers that the cultural approach is based on the actor, who is individuals or a collection of individuals, who are formed by the programming of the mind, from the socialization process, such as childhood, schooling and working careers that are different from one country to another. The socialization process forms the individual identity. Started by the work of Hofstede (1980), the cultural theory argues that culture affects the individual mind and extends to the characteristics of management practices. The cultural theory adopts a contingency perspective that argues that the effectiveness of a particular HR practice is contingent on how well it matches a national value system. Given the existence of different national value systems, this approach argues against the use of transfer of standard practices by MNCs. Instead, this approach prescribes that MNC should match each HR practice to the different national value system or cultural environment in which they operate (Newman & Nollen, 1996; Adler & Jelinek, 1986; Schneider, 1988). The importance of this theory for this study is that it generates an understanding of socio-cultural factors behind the adaptation of certain HR practices in the Lebanese subsidiaries.

The cultural approach and the institutional approach were always shown as opposed in the literature. However, Maurice et al. (1980) initiated the “societal analysis” to end the debate between the cultural and the institutional approaches. The authors consider that the societal effect approach for studying organizations is a “*systematic analysis of social action which emphasises the reciprocal interaction of people at work, work characters of jobs, systems of HRM practices, industrial relations, which can only be explored by considering historical, economical and political factors. The interactive relationship between system and actors is synchronicity. The property of a system tends to load the individual choices from which actors can choose a specific way*”. Sorge (2004) considers that the actor develops a specific program of mind and the interdependence between system and actor links to culture.

In this study both approaches will be used to analyse the domestic environment of the subsidiaries often called “host country effects” which has an influence on HR policies and practices. These effects include local culture, legal, social, economic and political systems (Dowling et al 1999; Beechler & Yang, 1994). In this study, the host-country of the subsidiaries is Lebanon. The Lebanese context from a cultural and institutional perspective will be detailed further in the next chapter 3: The context of HRM in the Middle East.

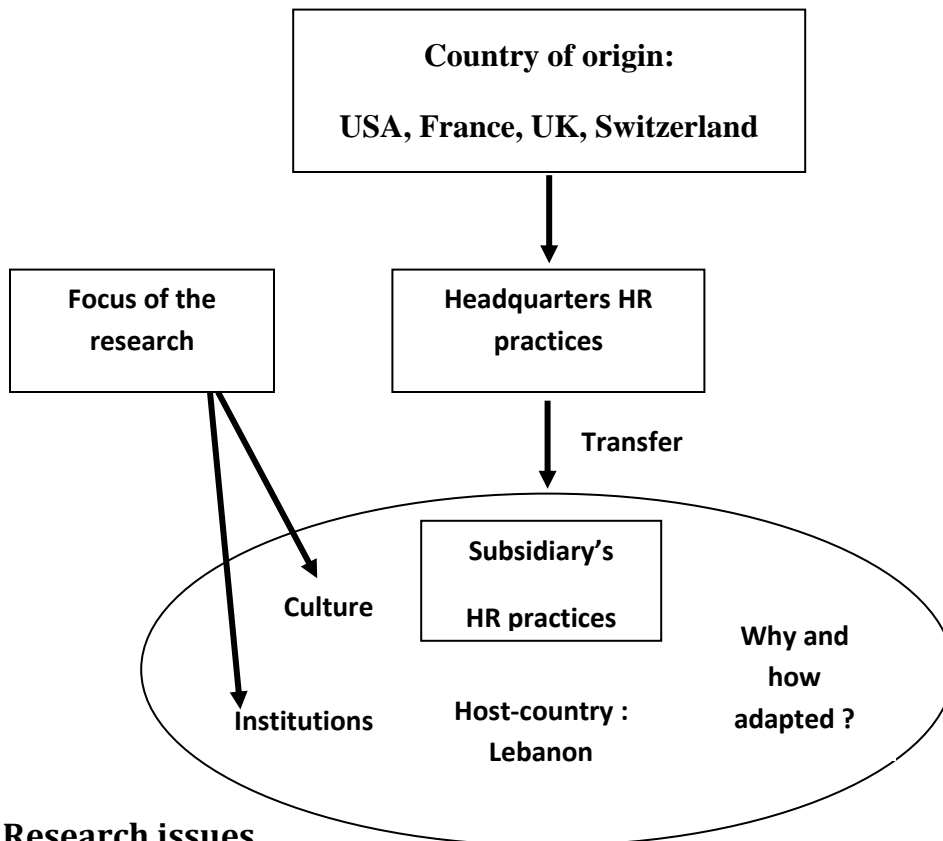
2.6.2 Country of origin or home-country effects

The country of origin will be also considered aiming at differentiating American and European MNCs regarding their transfer of HR practices. Literature is rich with studies about the effect of the country of origin on MNCs. Whitely (2001) and Ferner (1997) consider that MNCs are embedded in their own national business system which generates what is called the “home-country effects”. For the purpose of this thesis, it is important to mention two streams of research concerning home-country effects on American MNCs which will open the window on differences with European MNCs which have different home-country effects due to differences in national business systems and institutions. The first stream of research dealt with the type of control that MNCs exert on their subsidiaries compared with MNCs from different countries of origin. Edwards et al. (2002) and Harzing (1999) consider that American MNCs exert a more centralized and formalized control over their subsidiaries. Moreover, American MNCs tend to

choose a more global strategy, use a bureaucratic control system and use more standardized practices (Yuen et al., 1993; Bartlett & Ghoshal, 1998). The second stream aims at investigating which HR practices do American MNCs transfer in a standard way. Several research have investigated this issue and identified that performance appraisal and pay-for-performance are usually standardized across American MNCs (Dunning, 1998; Muller, 1998, Gunnigle, 1995). These two research streams are thus useful to investigate whether American and European MNCs differ with regards to control and coordination in addition to the standardization/adaptation issue.

Based on the integration of these two different perspectives, the following research framework is presented in figure 13:

Figure 13: Research Framework



2.7 Research issues

This section defines the research issues based on the research question and on the existing literature discussed in the previous five sections.

The research question that this study addresses is:

Why and How human resource practices transferred from American and European multinational companies to their subsidiaries in Lebanon are being adapted?

The four underlying research issues are discussed next in this section. Overall, the study investigates four main research issues derived from the existing literature. Since this research is of qualitative nature, the research issues are not independent variables as in a quantitative research. These research issues are derived issues from the main research question and the answer to these four research issues will contribute in providing a clearer and more complete answer for the main research question. The figure 14 below better illustrates the interdependence and the interaction between the research question and the five research issues.

The first research issue follows the three different IHRM approaches that the MNC could use to internationalize its human resources processes: exportive, adaptive or integrative:

- RI1: Which IHRM approach do MNCs headquarters versus subsidiaries currently follow along a continuum from exportive to adoptive and integrative approaches?

The second research issue aims at identifying which human resource practices were adapted, to what extent and which others remained standards. These human resource practices are the following: the code of conduct, the recruitment and selection, the training and development, the performance appraisal and the compensation and benefits. The research issue is therefore:

- RI2: Which HR practices were adapted?

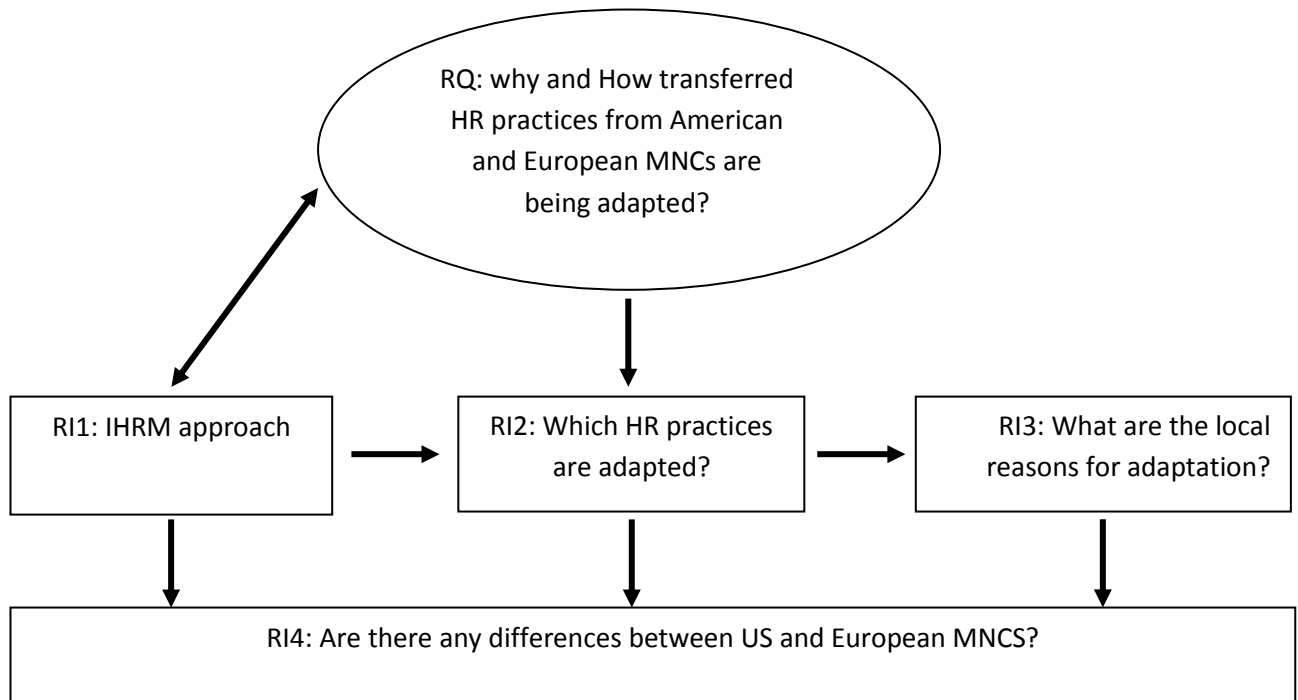
The third research issue refers to the host country effects that might be behind the adaptation of practices identified in the second research issue. These reasons might be cultural, social, legal or business specific to Lebanon. These reasons might be behind the choice of the subsidiary to adapt its human resource practices or maybe behind the choice of the MNC to go for an adaptive or integrative IHRM approach. The third research issue is:

- RI3: What are the cultural, societal, legal and business specific issues behind possible adaptations of human resource practices?

The fourth research issue’s investigation becomes possible when the four previous research issues are investigated. This research issue aims at identifying the differences in terms of IHRM approaches, degree of adaptation/standardization of human resource practices and control and coordination mechanisms between the American and the European MNCs studied. The fifth research issue is:

- RI4: Are there any differences between American and European multinationals in their transfer of human resource practices towards their Lebanese subsidiaries?

Figure 14: Research question and its underlying research issues



2.8 Summary

This chapter has reviewed the relevant literature about the transfer of HR practices within multinational companies. The literature relevant to multinational companies was discussed followed by a section dealing with major theories of international human resource management. The different conceptual approaches for the transfer of HR practices were then discussed

including home-country and host-country effects that could influence the transfer of HR practices.

From the discussion of the literature four research issues are derived, the study of which is expected to answer the research question: Why and how HR practices being adapted? The four research issues are: IHRM approach of MNCs studied, Which HR practices are adapted; Host-country factors behind adaptation; differences between American and European MNCs. The research framework to be used for this research was finally explained. This study uses both the cultural and the institutional frameworks to better understand Lebanese host-country effects.

This study seeks to make an original contribution to knowledge by understanding how American and European MNCs are transferring their HR practices to their Lebanese subsidiaries. This understanding will shed the light on the Lebanese host-country effects behind adaptation of HR practices.

In brief, this chapter has presented the literature, the research question and derived research issues for investigation. The next chapter discusses HRM in the Middle East taking Lebanon as a special case for investigation.

CHAPTER 3 THE CONTEXT OF HRM IN THE MIDDLE EAST

It is important to define the word “Middle East” in order to better understand the national business system and the culture of this region. The term “Middle East” was mentioned for the first time in the literature by Alfred T. Mahan (1840-1914), a well-known American strategist (Rahme, 1999). Al Obaidi (2003) considers that the term “Middle East” includes the word “East” which refers to the location of this region relatively to Europe which is considered to be the centre. According to the World Bank (2004), the Middle East and North Africa region includes Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates (UAE), Yemen and West Bank and Gaza.

For the purpose of this thesis, the aim is to better understand the national business system, the culture and business practices that are common to the Middle East region and more specifically the Arab countries. It is important to understand that Arab countries share many norms and practices due to their common historical, religious and socio-cultural characteristics. Arab countries share common literature, architecture and educational background (Al Obaidi, 2003). The aim of this chapter is to present several studies about HRM in the Middle East that reflect the current situation. The chapter also aims at exploring Lebanon, which is the host-country of the studied subsidiaries by shedding the light on the Lebanese culture and institutions in addition to HRM in Lebanon.

3.1 HRM in the Middle East

While human resource management is nothing new in the west, in the Middle East, that vast area which spreads as far as Iran in the East and Morocco in the west, HR development has just begun to surge.

Previously countries from the Middle East, especially those in the oil producing regions, ignored private sectors of business which required a skilled HR department. When the governments of such countries decided to emphasize manufacturing, agriculture, and services sectors the shift to reliable HR laws and departments are now considered to be corner stones of economic growth. However research in this field is still quite limited in the Middle East,

and those studies available focus on largely on economic growth, market forces, or policies, laws and regulations (Budhwar & Mellahi, 2007).

A few studies mention the transfer of HRM practices from the West to East. These studies suggest that in order for international firms to survive, much less flourish, they must respond to the needs of local stockholders and customers as a first step, before responding to the needs of employees. The Middle East, in terms of HRM practices, is quite similar to other developing nations around the world. There is a tendency to emphasize sensitivity to local cultural norms and strict, top-down decision making (Debrah & Budhwar, 2004).

While the involvement of governments in HRM practices varies in degree, all governments are involved in HRM practices at least from a legislative standpoint. They may take either a direct intervention approach or a normative intervention approach. The direct, or hard, legal approach the government sets laws and regulation and forces organization to follow them. Such an approach assumes that without such laws firms would use undesirable HRM practices, and that the government will be able to regulate compliance with the laws (Mellahi 2007). However, research shows that while such laws create sanctions for certain behaviors, they don't ensure application of sanctions. Many firms use the law to rationalize certain actions, look for loopholes, or even simply ignore the law if the consequences are not drastic. This varies from country to country and compliance depends on several factors. One such factor is when the law is seen as a set of moral codes to follow, and therefore the firm may follow sanctions or legal codes because it seen as the responsible or 'right' thing to do (Godard, 2002).

The normative approach is when a government aims to induce and encourage diffusion of the most desirable HRM practices. This isn't done through laws and regulations but rather by changing the assumptions underpinning HRM practices. By changing managers' cognitive norms governments hope to aid managers in making appropriate HRM policies. When successful, this approach institutionalizes the most desired HRM practices and influences management belief systems. Since this is not a law-enforced approach to HRM practice intervention, the normative approach depends on the government providing the obliging firms with guidelines and incentives for their implementation in the work place (Mellahi, 2007). The balance between these two approaches will vary from country to country.

The following table 22 summarizes the studies conducted about the Middle East region:

Table 22: Studies about HR in the Middle East

Research focus	Studies
Role of HRM in economic development	HRM in Turkey (Aycan, 2001), HRM in Saudi Arabia (Mellahi and Wood, 2004; Al-Salman and Robertson, 1982), employment policy of Kuwait (Al-Enzi, 2002); HRD in Oman (Budhwar et al., 2002), HRM and organizational effectiveness in Israel (Bamberger et al., 1989), transformation in HRM in Israel (Sagie and Weisberg, 2001) and management in Israel (Baruch, 2001; Dale, 1978), HRM in Algeria (Branine, 2004), challenges for employment in the Arab region (Shaban et al., 1995), market forces and the Middle East's new interest in HRM (Murphy, 2002) and management in the Arab Middle East (Weir, 2000).
Women in management-related issues in the Middle East countries	(Aycan, 2004 for Turkey; Izraeli, 1987 for Israel; and Metle, 2002 for Kuwait)
Training and development-related studies for the Middle East region	Agnala, 1997; Ali, 1996; Ali and Camp, 1995; Al-Rasheed and Al-Qwasmeh, 2003; Analoui and Hosseini, 2001; Anastos et al., 1980; Arie, 1996; Atiyyah, 1991
The influence of Arab culture Arab value systems on management practices and management systems	Al-Faleh, 1987; Yasin, 1996; Bakhtari, 1995; Mellahi, 2003; Ali and Al-Shakis, 1985; Hunt and At-Twajjri, 1996; Elsayed-Elkhouly and Buda, 1997
Socio-cultural similarities identified an Arabic cluster (consisting of Egypt, Morocco, Turkey, Kuwait and Qatar), within which countries are highlighted to be highly group-oriented, hierarchical, masculine and low on future orientation.	Kabasakal and Bodur (2002)
Transfer of management practices from the West/East to the region	Yavas, 1998; Anwar, 2003; Saleh and Kleiner, 2005; Hill et al., 1998; Elmuti and Kathawala, 1991
Similarities in management systems between the Middle East and most of the developing countries	Al-Rasheed, 2001; Badway, 1980; Yucelt, 1984; Mellahi and Wood, 2002
Impact of Islamic values, Islamic work ethics and Islamic principles on the management of human resources in Islamic countries	Rosen, 2002; Budhwar and Fadzil, 2000
The influence of cultural orientations on employee preferences of HRM policies and practices in six large Omani organizations on a sample of 712 employees.	Aycan, Al-Hamadi, Davis & Budhwar, 2007
The role of recent HRM laws in Saudi Arabia and their implications for HRM policies and practices in the private sector	Mellahi, 2007
The developments and scenario of HRM in Oman	Al-Hamadi et al, 2007
The development of HRM strategies and practices in Israel	Tzafirir et al., 2007
Job descriptions, recruitment and selection, training and development, compensation, performance appraisal and employment security in Egypt	Leat and El-Kot, 2007

(Source: Developed for this study)

3.2 HRM in Saudi Arabia, Egypt, Oman, Israel and Tunisia

For the purpose of this thesis, previous studies about HRM in Saudi Arabia, Oman, Egypt, Israel and Tunisia are exposed.

Until recently Saudi Arabia had a rather lax policy towards HRM practices. With the realization that the country wouldn't be able to produce oil forever, there became a surge in the need for other sectors in the country. Until this realization, Saudi Arabia had a labor law that was based on a royal decree from 1969. This meant the employers not only had limited obligations towards their employees, whether they were expatriates or locals. It also meant that many foreign unskilled workers were treated poorly and abused not just by the employer but by the legal system itself (Mellahi, 2007).

As a result of rising unemployment, external pressures, and a need to change the direction of business in the country, the government began to introduce new laws to help control the private sector. Recent data indicates that although Saudi law is based on the Islamic Sharia Islamic laws, employers reported that they were adopting these new practices due to reinforcement of the laws. Several of the managers interviewed in the study by Mellahi (2007) indicated that they would go back to old HRM practices if the government were to abandon or neglect to enforce new laws. This goes against the theory that some firms would follow HRM practices because such practices are the 'right' thing to do.

The approach taken by the Saudi government has resulted in a work environment where HRM policies are occurring only in so much as the private sector meets its formal obligations. Basic assumptions and styles of HRM have not changed, nor has the new legal system seriously challenged them. Such a situation needs effective normative approaches as well as the legal regulations set by the government, otherwise HRM policy changes will only take place at a surface level and will never properly be implemented (Godard, 2002; Mellahi 2007).

As for Oman, its economy, like much of the gulf region, relies heavily on oil revenues. However, even with cuts in oil production resulting in approximately 26,000 barrels a day, Oman's oil reserves are not expected to last for more than 20 years. (Ministry of National Economy, 1999) .This realization has been a catalyst for diversification of the economy. This diversification has been undertaken through the process of allowing locals to participate in the economy and participate in the economic growth of the society. Such a process's success lies

in effective HRM practices and policies. HRM policies in Oman must be aimed at developing a capable workforce that supports government efforts to participate in a more globalized structure against competitive regional and international economies. (Al-Hamad et al., 2007). In 1995 Oman's government launched a plan for development entitled 'Vision 2020'. The purpose of which can be summarized as an attempt to develop Omanis by raising their skills, standards, and abilities while ensuring the maintenance of Omani traditions. This is to be done through the development of human resources by upgrading levels education, improving the level of participation in the workforce by women, and development of mechanisms that would increase the level of the workforce's participation in the economy (Al-Hamadi et al., 2007).

In 2002 a study was done on employee perceptions of the influence of national culture and national institutions on Omani HRM policies, practices and organizations. On average Omanis gave highest priority to religion (19.22 %), the socialization process (15.92%), and the influence of the expatriate workforce (18.41%). In the open ended section of the survey one question was what factor Omanis believed had the greatest impact on their organizations. Of those surveyed, 32.3% responded that the expatriate factor had the greatest influence on the workforce. 16% believed that religion had the greatest impact, while 12% thought beliefs, culture, customs, and traditions had the greatest impact. This is quite important because it is such beliefs which dictate how and employee acts and reacts within the workplace, often times integrating their behavior to coincide with that of a specific group. 11% of Omanis believe that the organizational culture and structure of the company while 8% believed that people educated abroad had the greatest impact on HRM policies and practices. When asked about the influence of institutional factors, such as the Sharia law and judicial system previously mentioned, the results were two-fold. While the results show that on average employees gave high priority to Oman's civil service laws, educational and vocational training, labor laws, labor market, government programs, local administrative establishments, and regional and international institutions, just under half believed that this trend would continue. In the open ended questions 42% of those surveyed believed that Oman's civil service laws would continue to influence HRM policies, practices or organizations as a whole. That's just under half of those surveyed while only 7.1% believed that only Sharia laws should be applied to HRM. (Al-Hamadi et al., 2007). In a study on preferences of Omanis in terms of HRM policies in the areas of planning, recruitment, performance evaluation, salaries and allowances, seven hypotheses were presented about the Omani workforce based on the information about Omanis cultural and belief system. Hypothesis one was that Omanis would believe that people are inherently good. The second was that Omanis would have a very

strong orientation towards harmony and subjugation to nature as opposed to the mastery of nature. The third assumed that Omanis would show a strong preference for thinking, being and doing activities. The fourth stated that Omanis would have stronger orientations towards collectivism and hierarchy as opposed to individualism. The fifth hypothesis assumed that Omanis would prefer group oriented HRM practices. Hypothesis six assumed that hierarchy-oriented HRM practices would be positively related to hierarchy, subjugation and human nature as bad-evil orientations while negatively related to mastery and thinking orientations. Finally hypothesis seven assumed that those with a preference for loose and informal HRM practices would be negatively related to mastery thinking and doing and harmony orientations while being positively related to being and subjugation orientations. Hypothesis one was not supported significantly with the statistics. However there was an association between education and the goodness of humanity. The lower the educational level the higher the belief that human beings are bad or evil and unchangeable by nature. In hypothesis two, only age and job experienced showed positive correlation with mastery and harmony orientations. The relationship to age and mastery support the observations of the perceived powerlessness of younger Omanis. In hypothesis three there was only partial support. Those who took the survey scored high on thinking and doing orientations but low on the being orientations. Once again age and work experience were positively correlated with both thinking and doing orientations. Higher education levels were negatively correlated with all three orientations. There was no statistically significant support for hypothesis four. However it was shown that females preferred the hierarchy orientation. Also, those with higher levels of education or higher job levels were those who least preferred the hierarchy orientation. In hypothesis five the researchers found very strong statistical support. It seems that those with a great preference for group oriented HRM practices also prefer collectivist and being orientations. Hypothesis six was also significantly supported statistically. Hypothesis seven was only partially supported and although not one of the hypotheses, the preference for informal HRM practices was positively correlated with the collectivism orientation. Throughout the statistics in the study demographic variables such as gender, age, education, work experience, and occupational status, very rarely explained the variance in HRM preferences (Aycan et al.,2007).

Past research has shown that the influence of Islam may be significant in explaining dominant values and attitudes, behavioral expectations and behavior (Parnell & Hatem, 1999). There is a definite gap in the examination of culture's impact upon management practices in the

Middle East, Arab countries, and in Egypt. As for Egypt and based on knowledge of the culture of the area, one would assume that Egyptians would prefer hierarchical and controlled structures, with clearly defined roles and tasks. It would also seem safe to assume that HRM policies and practices should have a relationship and team focus while employment in general is viewed as long term. Therefore rewards should be based on both longevity and seniority, and, if it's a performance based award, then it should be group or relationship based. Such a profile means companies would find greatest success by recruiting from within and training employees for new skills. These are also those aspects of profiles found for most developing countries (Leat & El-Kot, 2007). According to Leat & El-Kot (2007), developing countries tend to follow the system that relies on the theory that human capabilities are relatively fixed and limited. A direct consequence of this is limited career planning, progression with supportive training within organizations. Other characteristics identified with the Egyptian workforce specifically, and the Arab culture in general, is the respect for seniority. Employees often agree with their supervisors and seeking subordinate participation is regarded as a weak management style. Such a profile also emphasizes the importance of relationships over the task and the importance of loyalty to the group. They emphasize that friendship is key in Egyptian culture. Friendship has an important impact upon selection and promotion practices with nepotism as a given in company structure and policy. There is also a strong tie to a certain job. Employees often find themselves in the same jobs over a long period of time. This has been speculated as being a factor of an Arab trait to avoid uncertainty or the unknown. (Leat & El-Kot, 2007). The study undertaken by Leat and El-Kot (2007) was based on a survey of HRM practices, policies and beliefs. Results of the study indicate that although the culture may emphasize a preference for promotion within an organization, managers still prefer to hire for positions based on job skills. While salaries were based more on the idea of job evaluation as opposed to skills based and salary increases are based on performance and not seniority. In fact, it may be more plausible to develop a work force where group training and team work are encouraged, but there is room for materialism and reward to play a larger role. While Egyptians in general seem to show great job security, there is also a great stress on outcomes as opposed to behavior. Inconsistencies between the actual workplace and the cultural background of the people may be due to Western influence in the economic market. Companies are forced to be more competitive and therefore may follow more Westernized HRM practices or belief systems.

As for Israel, although located in the Middle East, it varies greatly from other countries in the Middle East. Its political, social and economic systems and particularly its culture, differ from other countries in the surrounding area. The scarcity of natural resources also makes Israel quite different from other Arab countries, which may currently depend on oil as a major economic growth factor. Therefore the dominant national and managerial culture of Israel is similar to that found in the West. Israel is dependent on the 'human factor' for economic wealth, and therefore HRM practices and policies play a large role in Israel's work force and economy. While HRM practices and policies went through significant development, changes and growth in the first 50 year of the country's conception, the current state of HRM in Israel is also a combination of its current demographics and culture. This is a multi-level interaction between different factors unique to Israel. One such dominant factor is the impact of the compulsory army duty for all Israelis. The integration of these army officers, especially high-ranking officers, into HRM positions permeates HRM policies and practices. Another factor related to the army service is the amount of money allocated to the defense budget. The army takes a considerable share of the national GDP. The development and manufacturing of army technology has moved into the private sector. Almost half of all females and nearly all males are drafted into the army for three years by the age of 18. Those with especially strong leadership qualities often volunteer for military service, often becoming officers. Therefore the HRM system has to envelop the army situation, which at minimum requires most males to serve for approximately 30 days per year. This means that management policies need to be flexible and have room for day to day improvisation (Tzafrir et al., 2007). HRM practices from the private sector were eventually applied in the public sector. This introduced many changes in the HRM system. This included the adoption of flexible working arrangements. Public firms emphasized selection and grievance procedures, private firms focused on employee growth and motivation. But because the public sector was adopting a high performance work system, the public sector began to resemble the private sector. Some findings showed that certain practices of the Israeli Defense Force suggested that the public sector was applying similar practices (Tzafrir et al., 2007). Moreover, a demand for professionalism in the field of HRM created a new generation of educated professional HRM managers. There is also a trend of feminization in the HRM profession, as well as younger managers (Tzafrir et al., 2007).

In studies conducted on HRM departments, managers and employees three major HRM challenges have been outlined for Israel in order to add greater importance to the impression of HRM in Israel. The first challenge is to strive to become an equal business partner. The second challenge is management awareness. This pertains mainly to management, especially

with executive management, in the areas of knowledge, comprehension, and understanding of HRM functions and roles, and actual utilization of HRM professionals' knowledge as a resource in advancing organizational objectives. The third challenge is the continuous change of the cultural, economic and social environments. HRM functions, strategies, practices, and concepts have been and are changing to adapt to environmental changes however they are still behind in those changes which are sweeping across the industry. The HRM policies and practices of the Israeli society then reflect these changes and aspects of the country. HRM practices and policies are key in the Israeli economy because of the lack of natural resources. Therefore a peace economy would open up doors for the Israel in regards to HRM functions. This may increase potential market growth, since it open up the Arab world to the Israeli markets and increase the demand for better organized managerial systems. This also would result in a larger workforce, and a larger workforce would require a new system of demands and results from HRM. Labor legislation, labor mobility, foreign workers, work permits, job designs and job descriptions would evolve as would training and education. This would speed up the process of moving ever-higher towards professionalism and a more focused HRM system (Tzafrir et al.,2007).

As for Tunisia, a recent study was conducted by Yahiaoui (2007) about the transfer of HR practices from French multinational companies to their subsidiaries in Tunisia. The study is original and pertinent to mention in this thesis due to similarities of the theme and the context. Both studies deal with the transfer of HR practices within MNCs in addition to similarities of host-country effects being that Tunisia and Lebanon are both Arab countries. Yahiaoui (2007) found that there are local specificities related to the application of certain transferred HR practices to Tunisian subsidiaries. For example, performance appraisal was found to be a rejected practice due to the notion of refusing criticisms and sanctions. This is related to the feeling of pride Tunisians have and their attachment to the social class to which the employee belongs. Another transferred practice which was resisted was the use of headhunters and newspaper ads to recruit employees. This practice was viewed as not suitable for the Tunisian context where informal relations and strong interpersonal relations prevail in recruitment practices. Yahiaoui (2007) found several cultural factors that influence HR practices including the importance of the social belonging, the fatalism, the high degree of collectivism and the high reliance on oral communication. Several HR practices were identified including recruitment through the word of mouth and personal networks, the reliance on interviews when selecting employees, the absence of a clear career management policy where the

promotion is related to seniority. The author also found that the institutional context of Tunisia has influenced the transferred HR practices including the labor law and the educational system in Tunisia which is quite similar to the French educational system. The author concluded that despite the local specificities of Tunisia in terms of HR, several HR practices were transferred due to their universalist nature. Yahiaoui (2007) most important finding is that transferred HR practices are hybridized whereby some practices are imported from MNCs to their Tunisian subsidiaries, others are applied in local Tunisian companies, and others induced by the Tunisian government. Other practices were found to be adapted to the cultural, institutional and managerial Tunisian context.

3.3 The Lebanese case

This section aims at introducing Lebanon while emphasizing on the Lebanese culture and institutions and their effect on HRM. To introduce the Lebanese case, the table 23 below summarizes some important facts and figures about Lebanon.

Table 23: Facts and figures about Lebanon

Location	Middle East; bordering the Mediterranean sea, between Syria and Israel.
Capital	Beirut
Area	10,400 sq Km
Population	4,125,247
Languages	Arabic, French, English, Armenian
Religions	Muslims 60%, Christians 40%
Literacy rate	87.4 %
GDP	\$58.65 Billion
GDP per capita	\$14,200
Labor force	1.481 Million
Exports	\$5.187 Billion Most important export partners (Switzerland 22%, UAE 10%, Iraq 8%, Saudi Arabia 7%)
Imports	\$17.97 Billion Most important import partners (USA 11%, France 10%, China 9%, Italy 9%, Germany 8%)

(Source: CIA world factbook,2010)

3.3.1 The Lebanese culture

According to the GLOBE study (Kabaskal & Bodur, 2002), Arab countries have scored high on group and family collectivism and power distance and scored low on future orientation and gender egalitarianism. The remaining cultural dimensions which are uncertainty avoidance, human orientation, and assertiveness and performance orientation scored in the middle range (Kabaskal & Bodur, 2002). Several researches have developed cultural dimensions to explain

cross-cultural differences. Most of these studies considered all Arab countries (including Lebanon) as one culture. Kluckhohn & Strodtbeck (1961) focused their research mainly about time and the importance of relationships in business. Geert Hofstede (1983, 1993) has defined five cultural dimensions: power distance, individualism, masculinity, uncertainty avoidance, short-term/long-term orientation. The power distance dimension evaluates the extent to which the less powerful members of the organizations and institutions accept and expect that power is distributed unequally. Hofstede (1984) has rated all the Arab countries including Lebanon to have high power distance. This high power distance score is common to all the Arab countries because these societies follow somehow a caste system and allow an equal distribution of power and wealth. People tend to accept that leaders are superior and should be separated from them. This indicator might let us think that employees working in Lebanese subsidiaries of multinationals have a different perception of management, channels of communication and bureaucracy inside the organization. The uncertainty avoidance measures a society's tolerance for uncertainty and ambiguity. Lebanon has also scored high on this dimension which means that Lebanese don't tolerate uncertainty and tend to reduce this uncertainty level by following rules, regulations, laws and policies strictly. Individuals tend to eliminate or avoid change and the unexpected. This high score affects the perception of workers to work values. Lebanese employees are more emotional and are usually driven by inner nervous energy. This high score of uncertainty avoidance might affect the acceptance of Lebanese employees to any change in practices and therefore try to resist it. As for individualism, in highly-individualistic cultures, people are expected to be self-reliant and independent and focus on caring for themselves and their immediate families. In highly collectivist cultures, people are expected to serve the groups to which they belong. Lebanon has scored low on this dimension which means that it is a collective society. The Lebanese society fosters collectivist values since the birth and people are integrated in large groups. The individual feels secure inside a group to whom loyalty is premium. High collectivism might let us think that any HR practice that fosters reward systems based on individual performance might not be appreciated by Lebanese employees. As for masculinity, highly masculine cultures rate achievement and success higher than caring for others and the quality of life. This dimension scores high in Arab countries and Lebanon. Feminine societies tend to focus on citizens' welfare and improvement of life standards which is not the case of Arab countries in general and Lebanon specifically. Cultures considered as having long-term orientations are perseverant whereas short-term orientation cultures tend to respect tradition, protect "face" and fulfill social obligations. Lebanon and Arab countries are more short-term oriented.

People are attached to tradition and what their society dictates. This dimension is closely related to the individualism dimension on which Lebanon has scored low. Employees of short-term oriented cultures might perceive practices that are not consistent with tradition as erroneous.

As for Trompenaars (1993), seven cultural dimensions were developed. For this study, four will be explained. For the universalism versus particularism dimension, people who score high in universalism believe that general rules and standards must be applied to everyone regardless of the situation. People who score low in universalism tend to develop their expectations of others based on personal relationships and trust rather than rules. Lebanese are scored high in particularism. Middle Eastern countries score low on universalism which means that they are more tolerant to exceptions and they tend to tailor rules according to the situation. The second dimension is the affective versus neutral. In highly affective cultures, people tend to express emotions freely. Middle Eastern countries score high on the affective dimension. They are emotional and emotions are expressed even at work. The third dimension, specific versus diffuse, measures to what extent there is a separation between professional and private life. In highly specific cultures, professional and private roles are separated. In diffuse cultures, the two lives intersect. Middle Eastern countries are highly diffuse cultures where professional and private roles are mixed. The fourth dimension is achievement versus ascription. In highly achievement-oriented cultures, social status derives from a person’s achievement whereas in ascription-oriented cultures, the social status derives from age, experience, social origin, connections and gender. Middle Eastern countries are ascription-oriented where people are evaluated not on their personal achievement but on other personal attributes. These three studies of Hofstede, Trompenaars and Kluckhohn and Strodbeck are illustrated in table 24 below:

Table 24: Three frameworks to compare national cultural dimensions

Kluckhohn and Strodbeck (1961)	Hofstede (1983,1993)	Trompenaars (1993)
Questions about: <ul style="list-style-type: none"> • Human nature • Time • Relationship (high versus low) 	<ul style="list-style-type: none"> • Power distance • Individualism vs. collectivism • Masculinity vs. femininity • Uncertainty avoidance • Long-term orientation 	<ul style="list-style-type: none"> • Universalism vs. particularism • Individualism vs. collectivism • Affective-neutral • Specific-diffuse • Achievement-ascription

(Source: Developed for this study)

Recently, more research began to take Lebanon as an independent unit of analysis. Sharabi (1988) stated that the Lebanese culture is patriarchal in nature. The father has a central role in the social structure and this affects the perception of individuals to work-related values. According to Jabbra (1989), the Lebanese society relies on social conformity and places little importance on creativity and innovation. This finding matches the findings of Geert Hofstede's study on the international comparison of work-related values.

Several factors have shaped work practices in Lebanon. The first factor is its demography. Lebanon is a very small mountainous country of 10,452 Km² with a population of around 3.6 million living in the country whereas much more live abroad (Nasser & Abouchedid, 2003). Lebanon was firstly inhabited by Semitic Canaanites called the Phoenicians who have invented the first alphabet (Hitti, 1962). Lebanon was colonized by France which has affected its culture and values with Western values and ideals (Pheraon, 1993). In 1943, Lebanon became independent. The political and economic system was chosen for this newly established state. Lebanon embraced liberalization, yet very rare in the region at that time. Economically, Lebanon witnessed golden years of prosperity especially in the tourism and banking sector (Khalaf, 1987). Lebanon was labeled as the Switzerland of the Middle East due its advanced banking system supported by a liberal government (Pheraon, 1993; Hitti, 1962).

The second factor that affected work practices are the economic and human resources. Lebanon lacks natural resources and has no comparative advantage in the agricultural or industrial sectors. Lebanese work mainly in the services sector. According to the Association of Banks in Lebanon (2000), the banking sector constitutes around 40% of the GDP. Lebanon has recognized that in order to develop its infrastructure, it should develop its educational sector which is necessary for the constitution of a qualified workforce. Education in Lebanon much influenced by Western education has contributed to the improvement of the earning power of the workforce (Barakat, 1993). Lebanon ranks the highest in terms of human development among non-oil producing Arab countries. A major problem that strikes the Lebanese economy is the migration of skilled workforce. The workforce in Lebanon is overeducated and exceeds the needs of the local market resulting in excessive migration and thus brain drain (Hamdan, 1999). Furthermore, Lebanon faces the inflow of cheap labor from neighboring countries resulting in the increase of money leaving the country (Hamdan, 1999). The government and NGOs operating in Lebanon are working closely to develop a positive

view of the national business system. Another factor affecting work-related values is the family. The most important structure in Lebanon is the Lebanese family (Khalaf, 1987; Super, 1988). Lebanese as opposed to the West, find it difficult to leave their families and live independently. This affects the perception of work-related values. Lebanese at work are influenced by this dependency on their families. They lack initiative and creative thinking at work. According to Jabbra (1989), Lebanese workers are not driven by a need for achievement which is the case in the Western counterparts. The paradox is that Lebanese workers are ready to accept new ideas and show readiness to challenge traditional and social values but are at the same time very loyal to their families rather than to their work, organization or nation (Jabbra, 1989; Sharabi, 1988). A study about the effect of the Lebanese family structure on individual career development conducted by Khalaf (1987) showed that the family is the basic social unit. Furthermore, he found that the family has a major impact on achievement and motivation of employees.

Another important factor affecting work-related values is religion. Although Islam constitutes 70% of the population, it does not play an important role in influencing people lives (Pheraon, 1993). The political power is divided evenly between Muslims and Christians (Khalaf, 1987).

Besides, Lebanon is an open country, ready to accept cultural and intellectual influences of all kinds. Since it is a pluralistic society, Lebanese acquired many Western characteristics and non-traditional values (Hakim 1966).

Furthermore, education has played a major in shaping work-related values in Lebanon. Education is a basic building block of human capital and essential of the acquisition of skills and knowledge (AHDR, 2002). For this reason, Lebanon has built a strong educational system, considered today to be the best among Arab countries.

Lebanon allocates between 9.3% and 13% of its GDP to education which is the highest in the region (AHDR, 2002; ESCWA, 2001). Even in terms of gender. Females' enrollment in secondary stages of education is higher than males' enrollment (AHDR, 2002). The literacy rates are the highest in the region (95% for males and 90% for females) (AHDR, 2002). The high literacy rate is the result of a strong partnership between the private and the public sectors besides the determination of Lebanese families to educate their children.

It is important to note here that several educational and social issues of a country affect its HRM. Briscoe & Schuler (2004) recognized several social and educational related issues that affect HRM. The table 25 illustrates these issues.

Table 25: Sociological and educational issues affecting HRM

Sociological	Educational
<ul style="list-style-type: none"> • View toward business and its managers • View towards authority and subordinates • Inter-organizational cooperation-between business, unions, government, education. • View of “achievement” • Class structure and possibility of individual upper mobility • View toward wealth and material gain • View toward scientific method for problem solving and decision making • View toward risk taking • View toward change 	<ul style="list-style-type: none"> • Literacy level and extent of primary education (for both boys and girls) • Specialized vocational and technical training and general secondary education • Higher and advanced education • Special management training programs (not run by firms) • Attitude toward education and training in general • Education match with requirements of firms • Availability of business education

Source: Briscoe and Schuler, (2004)

3.3.2 HRM in Lebanon

This section aims at presenting several issues related to HRM in Lebanon including the Lebanese labor law, the National social security system in addition to some HR practices being implemented in Lebanese local firms. It is important to note at this stage that there are very few research about HRM in Lebanon till now. Only few studies dealt with HRM related issues in Lebanon.

3.3.2.1 The Lebanese labor law

To better understand the human resource function in Lebanon, it is essential to get an idea about the Lebanese labor law.

The clause 31 of the Lebanese labor law sets the number of hours of work per week to a maximum of 48 hours distributed over 6 days. This number might be increased or decreased according to the sector of activity. The average of working hours in Lebanon is around 35 hours. The overtime hours are paid on the basis of 50% of the normal hours' rate. The private sector is more demanding in terms of the number of hours worked where the load might reach 62 hours per week. The retirement age is 64 years. As for contracts, they can be usually ended if one of the two parties decides to after providing the other part a notice ahead of time. A list of all workers must be sent by the company to the ministry of labor to register workers in the national social security fund. Retirement is calculated based on the salary and the total years of work. As for the security, employers must provide their employees with work security. The ministry inspects companies occasionally to make sure that security measures on the work place are respected. These security measures are not always respected by the employer and several employees accept bad working conditions in order not to lose their job (Cerdin et al.,2002). As for salaries, the government has set the minimum salary to be \$333 (500,000 LP) per month. This law is not always respected by the private sector and employees often don't sue their companies for the non application of this law. This minimum wage is not sufficient to provide the employee and his family with a minimum acceptable living standard.

Unionization in Lebanon

All workers, except government employees, may establish and join unions and have a legal right to strike. Worker representatives must be chosen from those employed within the bargaining unit. About 900,000 persons form the active labor force, 42 percent of whom are members of 160 labor unions and associations. Twenty-two of the unions, with about 200,000 workers are represented in the General Confederation of Labor (GLC). In general the Government does not control or restrict unions, although union leaders allege credibly that the Government has tried, in the past, to interfere in elections for union officials (ICON, 2007).

Collective Bargaining

The right of workers to organize and to bargain collectively exists in law and practice. Most worker groups engage in some form of collective bargaining with their employers. Stronger federations obtain significant gains for their members and on occasion have assisted nonunionized workers. There is no government mechanism to promote voluntary labor management negotiations, and workers have no protection against antiunion discrimination.

The Government's ban on demonstrations arguable diminishes unions' bargaining power. There are no export processing zones (ICON, 2007).

The table 26 below summarizes the labor union laws in Lebanon and the violations of some of their rights practices:

Table 26: Labor union laws and violations

Law	Explanation
Freedom of association	The law recognizes the right of workers, except government employees, to set up and belong to trade unions and federations. However, domestic workers, day workers and temporary workers in the public services, and some categories of agricultural workers are not covered by the country's labor code.
Broad powers of interference	The law confers broad powers on the Ministry of Labor, whose authorization is required prior to the setting up of a trade union of any kind. Moreover, the Ministry controls all trade union elections, including the date of the election, the procedure to be followed and the ratification of the results. The law also permits the administrative dissolution of trade unions and forbids them to engage in any political activity.
Right to collective bargaining	Collective bargaining is recognized in law. However, a minimum of 60% of workers must agree before a union can engage in collective bargaining. Collective agreements must be ratified by two thirds of union members at a general assembly. A draft amendment to the Labor Code reduces the threshold to 51% and gives government employees the right to bargain collectively. However, it had not become law by the end of the year.
Right to strike – restrictions	The right to strike is limited by the obligation to establish the number of participants in advance and the requirement that five per cent of the union's members be given responsibility for maintaining order during the strike. The organisers must sign a document whereby they assume full responsibility for all damages occurring during the demonstration.
Anti-union discrimination	The law does not adequately protect workers against anti-union discrimination, although fines for infringing labor legislation are relatively high. A draft amendment to the Labour Code prohibits any discrimination on the grounds of trade union membership, but this had still not become law by the end of the year.
Violations	<ul style="list-style-type: none"> -Political tensions have resulted in a faltering economy. Against this background it is difficult to carry on independent trade union activity, as there are accusations that strikes are designed to overthrow the government. - The government has often interfered in trade union affairs, instigating or aggravating conflicts within the trade union movement. Senior politicians have managed to have their nominees placed on the governing body of the CGTL, causing friction within the union when it opposes government policy. - The unions focused their action during the year on their demand to upgrade wages, which had been stagnating since 1996. As they felt that the negotiations were getting nowhere the union centre called a general strike for 7 May 2008, which attracted a lot of support. Owing to the very tense climate in early May, resulting from the political and institutional crisis in Lebanon, the general strike led to a major deployment of the police and armed forces and the demonstration called by the union centre was banned

Source: Annual survey of violations of trade unions rights 2009

3.3.2.2 National Social Security Fund

The National Social security Fund (NSSF) was established by a 1963 decree. It provides employees with national insurance coverage for sickness and maternity care. It also covers family allowance, end-of-service pensions, and work-related accidents and diseases. Any employee or laborer from any sector is eligible to enroll in the program. The employee can ask for end-of-service benefits at any time even though the official retirement age is 64. At the age of 60, an employee can ask for early retirement and end-of-service compensation provided he/she has completed 20 years of service. Employees are also entitled to family, transportation, and educational allowances. The benefits are attached to the husbands' rather than to the wives' salaries. Once an employee is registered, the NSSF covers the employee and his dependents in the following areas: maternity, sickness, and work-related accidents.

The employee is liable for 10 percent of all hospitalization costs and 20 percent of medication and examination expenses. Employers in Lebanon are obliged to register their employees after the end of the probation period of three months to the National social security fund (NSSF). The employer has to pay on behalf of the employee the membership fees to the NSSF for medical insurance and pension (caisse nationale de securite sociale). However, the NSSF in Lebanon suffers from high deficits. There is a real debate concerning compliance to the NSSF in Lebanon. The law requires all companies to contribute to the NSSF fund. However, according to recent statistics, there are only 75 inspectors to inspect companies' compliance to the NSSF. With a team of only 75 inspectors to cover the entire country, the chances of getting caught are slim. The percentage of the workforce covered by NSSF contributions is also low. Statistics from the NSSF indicate that only 38,890 companies have registered with the organization, with 355,646 employees enrolled for health and maternity coverage. There are an estimated 160,000 functional companies and 1.3 million workers (Lebanon opportunities).

Another problem related to the NSSF is its budget deficit. Beirut deputy Mr. Atef Majdalani criticized on the structure of the National Social Security Fund (NSSF) in Lebanon for failing to provide social security benefits to labourers after their retirement, when they need it the most. *"The NSSF provides social security to the young working people but forgets about those who have worked for years and are in most need of it, which is a disaster"* he said. His remarks came during a conference organized by Labour Minister Boutros Harb in collaboration with the Economic and Social Council in Beirut to discuss the problems and challenges facing the NSSF in Lebanon and the possible solutions that can be adopted. Majdalani also voiced his concerns about the discrepancies between the number of

beneficiaries registered by the NSSF and those counted by the United Nations Development Program (UNDP). The NSSF claims that the number of registered subscribers is close to 1.5 million, while the UNDP estimates the number at not more than 700,000. *“This huge difference raises our concerns about the possibility of an exaggeration of the subscribers’ number by the NSSF to justify the financial burden of the fund,”* he said. *“It might also be due to the ignorance of the administration”*. For his part, Labor Minister Boutros Harb invited all economic and social entities in Lebanon to unite to facilitate the introduction of the necessary reforms in the NSSF in order to turn it into an efficient institution that provide high quality services to all Lebanese. *“Challenges at the NSSF range from the efficient investment of its funds to the introduction of computerization, in addition to retirement and end of service legislation, not to mention the deficit problem which is the most important”* he said. Lebanon’s National Social Security Fund (NSSF) projected a deficit of LL822 billion (\$548 million) in the sickness, maternity and end-of-service departments in 2011, warning that the situation could get worse if concrete measures are not taken soon. Successive Lebanese governments have tried in vain to reduce NSSF losses since subscription fees were cut in 2001 (Dailystar,2010) .

3.3.2.3 HR practices in Local Lebanese firms

Due to the scarcity of studies about human resources practices in Lebanon, this section will give a description of the Lebanese application of two main HR practices: performance appraisal and recruitment in addition to an overview of the human resource function in Lebanon.

Performance appraisal

Performance appraisal is not very spread in Lebanese companies. Many companies don’t have this practice of evaluating the performance of their employees (Awad, 1998). Even managers are not used to such practices and this might be the main reason for this lack of applying performance appraisal. It is known that if managers are not involved in the process, the process will fail or vanish (Gosselin and Murphy, 1994).

According to Awad (1998), human resource manager must be trained by experts and external consultants to learn how apply this practice. The lack of such practice in an organization might have negative effects on the organization. According to Cerdin (2000), performance

appraisal is the base of several decisions in the organization: remuneration, career management, promotions and training. The absence of performance appraisal might hinder the development and motivation of human resources in the organization.

Recruitment

Recruitment procedures have developed in Lebanon lately especially in banks and large companies. The educational level is mainly the basis of recruitment. Recruitment is done based on a series of interviews and tests. More and more, Lebanese companies are using online recruitment through their websites following the footsteps of French companies which have increased the use of internet in recruitment (Cerdin & Peretti,2001). It is important to note that a major factor that interferes in the recruitment process is the clientalism. Clientalism is the use of political or social connections and power for personal interests. It is widely known in Lebanon that in order to be recruited in banks for example, education and experience are not the only criteria. The candidate must be referred by a politician, a political party or maybe a major client to the bank. As for the methods used by unemployed for looking for a job, a survey conducted by the USJ revealed that 91.8 % of surveyed people rely on family and personal contacts to find a job (USJ, 2002).

3.3.2.4 Evaluation of the HR function in Lebanon

It is essential to evaluate the human resource management from its strategic perspective (Schuler, 1990). The human resource function must be aligned with the overall strategy of the organization. More and more, human resource management is essential in the acquisition of a competitive advantage (Konrad & Deckop, 2001). For Lebanese companies, human resource management is still not strategic. It is very limited in scope and it is often more personnel management than human resource management. In Lebanon, personnel management takes care solely to salaries, registration to the national social security fund, holidays and the administration of administrative tasks (Cerdin et al.,2002).

One of the difficulties facing the HR function in Lebanon is that it is not taken seriously by managers. HR managers consider that managing human resources is an easy task. Another difficulty facing the function is that 75% of Lebanese companies are family business where owners prefer to have a direct control over their employees neglecting the role of the human resource department (Cerdin et al., 2002). Lebanese human resource managers are more

technicians than strategists. Their main function is limited to handling daily operations rather than aligning HR strategies to the overall strategy of the company. It is important to note that this image about the human resource management in Lebanon should not be generalized. The banking sector for example is more and more getting closer to human resource management rather than personnel management. The HR function is increasingly considered a key factor for the success of the organization.

It is known that the success of the HR function is evaluated according to four roles described by Ulrich (1997):

- Be an administrative expert (salaries, holidays, social security, etc.);
- Be a strategic partner (helps the organization in attaining its strategic objectives);
- Be a change agent (helps in adapting to the environment);
- Be an employees; champion (integrate the satisfaction of employees in organizational success).

According to Awad (1998), the role of strategic partner is not yet taken by human resource managers in Lebanon. 90% of HR managers assume the role of administrative experts, 70% take also the role of change agent and only 10% are strategic partners. One of the reasons for these figures is that organizations don't see the importance of the HR function within the organization. Awad (1998) considers that there is a lot to be done in order for the HR function to be considered a strategic partner. Another reason is the lack of expertise in the field of HR. Human resource managers must be regarded as problem solvers and strategic partners. This role assumes that its taker must have necessary skills, expertise and knowledge in the field of strategic human resource management. Cerdin et al. (2002) consider that the development of HRM in Lebanon relied primarily on human resource managers. They are responsible for pushing managers and employees towards better practices that can be beneficial for them as individuals and for the organization. It is also the responsibility of universities to develop the practice of human resource management in Lebanon by the establishment of human resource management research centers, the training of HR managers through seminars and continuing education courses and the invitation of experts in the field from other countries.

In conclusion, this chapter has presented HRM in the Middle East taking five countries as a sample. Moreover, it has explored the Lebanese culture and institutions in addition to presenting the current state of human resource management in Lebanon. The next chapter 4 will explain the methodology used for this study.

CHAPTER 4 : RESEARCH METHODOLOGY

4.1 Introduction

The previous chapter has reviewed the relevant literature and the background of the research about the transfer of human resource practices within MNCs. This chapter aims at discussing the research design and the methodology applied to collect the data to answer the five research issues previously identified which will contribute to the main research question of the study:

Why and how human resource practices transferred from American and European multinational companies to their subsidiaries in Lebanon being adapted?

The methodology used in this study is qualitative using the case study method. The study is explanatory in nature operating within the scientific paradigm of critical realism.

4.2 Research paradigms

A paradigm is a basic set of beliefs about how the world works and what the individual's place in it is (Guba & Lincoln 1994).

There are three main competing paradigms in the world of scientific research: positivism, constructivism and critical realism.

4.2.1 Positivism

Positivism which is the default for many scientific researches (Guba & Lincoln, 1994) assumes that there is one true reality that can be found by empirical study mainly quantitative. The natural sciences and the pure sciences use the positivist paradigm. Scientists who experiment and observe phenomena in a controlled laboratory environment are within the positivist research paradigm.

Guba and Lincoln (1994) consider that researchers working within the positivist paradigm are usually neutral observers whereby their values and biases don't influence the outcome of the research. Furthermore, the positivist paradigm has a deductive rather than an inductive view which means that hypothesis are presented and then tested statistically to check whether the

theories are true or false. That is, theories are first established and then tested by conducting experiments to verify or falsify the theory.

Trochim (2000) considers that according to positivism, science is seen as the way to get at truth, to understand the world well enough so that it might be predicted and controlled. The world and the universe are deterministic, they operate by laws of cause and effect that are discernable if we apply the unique approach of the scientific method. Thus, science is largely a mechanistic or mechanical affair in positivism. Deductive reasoning is used to postulate theories that can be tested. Based on the results of studies, we may learn that a theory does not fit the facts well and so the theory must be revised to better predict reality.

The positivists believe in empiricism, the idea that observation and measurement are at the core of the scientific endeavor. The key approach of the scientific method is the experiment, the attempt to discern natural laws through direct manipulation and observation.

The positivist paradigm is then not suitable for this study for several reasons. First, this study uses an inductive reasoning where by there are no hypothesis or theories in test rather there are research issues to investigate whose answers will be inducted. The second reason is that while there are few testable theories in the field of transferring human resource practices, theories and constructs about the transfer of human resource practices towards Lebanese subsidiaries are being established in this study and cannot yet be tested. Furthermore, the transfer of HR practices is influenced by several factors as well by the people involved. These factors are continuously changing which makes it impossible to repeat the same study under exactly the same circumstances. Indeed shortly after the data collection, two of the MNEs studied were acquired by two other MNEs, two MNEs studied had a management reorganization whereby the two human resource managers interviewed had to move either to another subsidiary in the region or to the regional office. For the reasons exposed above, positivism is not suitable for this study.

4.2.2 Constructivism

The constructivist paradigm considers that there is no objective reality. Rather, there are multiple realities constructed by human beings who experience a phenomenon of interest. People impose order on the world perceived in an effort to construct meaning; meaning lies in cognition not in elements external to us; information impinging on our cognitive systems is screened, translated, altered, perhaps rejected by the knowledge that already exists in that system; the resulting knowledge is idiosyncratic and is purposefully constructed (Lythcott & Duschl, 1990).

Constructivism believes that there is no single valid methodology and there are other methodologies for social science: qualitative research. It thus is opposed to positivism, which is a philosophy that holds that the only authentic knowledge is that which is based on actual sense experience. Knowledge is not a fixed object; it is constructed by an individual through his/her own experience of that object.

4.2.3 Critical realism or realism

Critical realism has elements of both positivism and constructivism (Healy & Perry, 2000). Critical realism assumes that there is one reality of which the researcher can only observe certain parts and aspects due to its complexity (Perry et al., 1999; Trochim, 2003). Realism, then, concerns multiple perceptions about a single, mind-independent reality (Healy & Perry, 2000). Realism recognizes that there is a difference between reality and people's perception of reality (Bisman, 2002).

According to Dobson (2002), critical realism argues that our knowledge of reality is the result of social conditioning and therefore cannot be understood independently of the social actors involved in the knowledge derivation process. Researchers working from a realist perspective observe the empirical domain to discover, by a mixture of theoretical reasoning and experimentation, the knowledge of the real world by naming and describing the generative mechanisms that operate in the world and result in the events that may be observed (Outhwaite, 1983).

Critical realism can be used with both quantitative and qualitative methodologies for researching the underlying mechanisms that drive actions and events (Healy & Perry, 2000). Case studies and semi-structured interviews are acceptable within this paradigm (Brisman, 2002). Researchers working under this paradigm often use an inductive reasoning and qualitative methods such as interviews or case studies which can give those results about "real-world" issues (Zikmund, 2000) such as the transfer of HR practices within MNCs. This study will operate under the critical realism paradigm. Research of issues in international HR, when conducted within this framework, generates promising results (Napier & Vu, 1998; Rowley & Benson, 2002).

A reason why this paradigm is suitable for this study is that transfer of HR policies and practices is embedded in, and cannot be separated from, the overall business situation and

management philosophy of the researched MNCs, which calls for a research approach attempting to grasp as much as possible of the cultural, economic and political context in which the multinational enterprises operate (Yin 2003). That is, rather than controlling for external influences such as national culture, home country and host country effects, as the positivist researcher would do, this study seeks to understand the impact of these external influences on the transfer process. Moreover, since organizational and social reality is very complex (Yin, 2003) and can be observed partially and understood imperfectly (Perryet al., 1999), there is a need to for investigation of different perspectives of one reality.

This process is called triangulation (Trochim, 2003). In this study, triangulation is achieved through interviewing, besides the ten human resource managers of the Lebanese subsidiary, the human resource manager of one multinational's regional office and the human resource manager of one multinational's parent company. In addition, an expert from academia was interviewed. Triangulation is also achieved through the comparison of interview results with the brochures and the websites of the companies. In conclusion, this paradigm is suitable for this study which operates under the critical realism paradigm.

4.3 Need for a qualitative study

Qualitative research is designed to tell the researcher how (process) and why (meaning) things happen as they do. By definition, qualitative research includes “an array of techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (Maanen, 1979). Qualitative techniques are used at both the data collection stage and the data analysis stages of research. The techniques of collecting data include: focus groups, individual depth interviews, case studies, ethnography, grounded theory, action research and observation.

As for the analysis, the researcher uses content analysis of written or recorded materials drawn from personal expressions by participants, behavioral observations and debriefing of observers, as well as the study of artifacts and trace evidence from the physical environment. The aim of qualitative research is to achieve an in-depth understanding of a situation. It is ideal if the researcher wants to extract feelings, emotions, motivations, perceptions or self-

described behavior (Langer, 2001). Data is drawn from a variety of sources including the following (Mason, 2002):

- People (individuals or groups).
- Organizations or institutions.
- Texts (published, including virtual ones).
- Settings and environments (visual/sensory and virtual material).
- Objects, artifacts, media products (textual/visual/sensory/ and virtual material)
- Events and happenings (textual/visual/sensory and virtual material)

Besides understanding the aim and the definition of qualitative research, it is also essential to understand the difference between a qualitative and a quantitative research. This distinction allows us to answer the question: why a qualitative methodology is more effective to use in this thesis?

The preference of a method over another comes from the nature of the problem, research questions, research areas and the researcher conventions (Ohlen, 2002).

According to Bartunek et al.(1993), there is no superior method. The essential is the extent to which the problem is revealed and how well it is executed.

The following table 27 shows the main difference between qualitative and quantitative research:

Table 27: Difference between quantitative and qualitative research

	Qualitative	Quantitative
Focus of research	Understand and interpret	Describe, explain and predict
Researcher involvement	High- researcher is participant or catalyst	Limited; controlled to prevent bias
Research purpose	In depth-understanding; theory building	Describe or predict; build and test theory
Sample size	Small	Large
Research design	<ul style="list-style-type: none"> • May evolve or adjust during the course of the project • Often uses multiple methods simultaneously or sequentially • Involves longitudinal approach 	<ul style="list-style-type: none"> • Determined before commencing the project • Uses single method or mixed methods • Consistency is critical • Involves either cross-sectional or a longitudinal approach
Participant preparation	Pretasking is common	No preparation desired to avoid biasing the participant
Data Type and preparation	<ul style="list-style-type: none"> • Verbal or pictorial descriptions • Reduced to verbal codes 	<ul style="list-style-type: none"> • Verbal descriptions • Reduced to numerical codes for computerized analysis
Data analysis	<ul style="list-style-type: none"> • Human analysis following computer or human coding; primarily non-quantitative • Forces researcher to see the contextual framework or the phenomenon being measured- distinction between facts and judgments less clear • Always ongoing during the project 	<ul style="list-style-type: none"> • Computerized analysis- statistical and mathematical methods dominate • Analysis may be ongoing during the project • Maintains clear distinction between facts and judgments
Insights and meanings	<ul style="list-style-type: none"> • Deeper level of understanding is the norm; determined by type and quantity of free-response answers • Researcher participation in data collection allows insights to form and be tested during the process 	<ul style="list-style-type: none"> • Limited by the opportunity to probe respondents and the quality of the original data collection instrument • Insights follow data collection and data entry, with limited ability to reinterview participants
Feedback turnaround	<ul style="list-style-type: none"> • Smaller sample sizes make data collection faster for shorter possible turnaround • Insights are developed as the research progresses, shortening data analysis 	<ul style="list-style-type: none"> • Large sample sizes lengthen data collection; internet methodologies are shortening turnaround but inappropriate for many studies • Insight development follows data collection and entry, lengthening research process; interviewing software permits some tallying of responses as data collection progresses.

Source: (Langer, 2001)

As the table above shows, the focus of qualitative research is to understand and interpret a phenomenon. The researcher is immersed in the phenomenon to be studied gathering data which provide a detailed description and understanding of events, situations and interaction between people and things. In our thesis, the purpose is to understand the transfer process of HR practices from multinationals to subsidiaries in Lebanon. The aim of the thesis is to come out with a deep understanding of how this process occurs, what are the barriers to this transfer, what was transferred without adaptation and what was adapted, how does the subsidiary coordinate with the parent company and what are the factors that facilitate the transfer process. The results should be interpreted in order to come out with a theory or model about the transfer of HR practices to Lebanon. As a result, a qualitative research is needed since a theory will be built rather than tested which is the case of quantitative research. In order to have an in-depth understanding, the method that will be used to collect data is conducting semi-structured interviews with managers in Lebanese subsidiaries. The researcher is highly involved in the process where questions asked might lead to other questions following the answers of the interviewee. Understanding and analyzing answers will start during the interview.

4.4 Justification of the case study methodology

As shown in the previous section, a quantitative approach is not suitable for this study. According to Varadarjan (1996), when theory development is low and phenomena and constructs are not well established, a quantitative approach is not recommended because it may lead to false impression of accuracy that doesn't reflect the issue being studied. An inductive, qualitative approach, such as the case study methodology is suitable for new research areas such as the transfer of human resource practices to Lebanon (Chew, 2001; Napier & Vu, 1998; Perry, 1998; Yin, 2003).

Yin (1994) has considered that case studies research is preferred when "how" and "why" questions are to be answered, when the researcher has little control over events and when the focus is on a current phenomenon in a real-life context. Furthermore, Eisenhardt (1989) considers that case study research is needed when existing theory seems inadequate. According to Yin (1994), a major strength of this methodology is its contextuality. In other words, case study is useful when the phenomenon under investigation is difficult to analyze

outside its natural setting. In international business, research is often done to study the impact of different national contexts.

Another reason why case research is essential is when data from cross-border and cross-cultural settings is collected.

The case study also known as the case history is a powerful research methodology. Researchers use company brochures, annual reports, newspaper and magazine articles along with direct observation and combine it with interview data from participants. The main focus is to have multiple perspectives of a single organization, situation, event or process at a certain time. It is essential to choose several cases in order to be able to conduct cross-case analysis. The multiplicity of cases provides the researcher with deeper understanding of the process researched. The reason behind choosing multiple cases is that these cases might offer similar results for predictable reasons (literal replication) or contrary results for predictable reasons (theoretical replication). Sampling requires four cases as a minimum and a maximum of 15 cases is favored.

Yin (2003) lists five research strategies in social sciences and discusses their application. The characteristics of each strategy are shown in the following table:

Table 28: Selection of appropriate research strategy

Strategy	Form of research question	Requires control over behavioural events?	Focus on contemporary events?	Relevant to this study?
Experiment	How, why	Yes	Yes	No
Survey	Who, What, Where, How many, How much	No	Yes	No
Archival analysis	Who, What, Where, How many, How much	No	Yes/No	Partially, when determining the case backgrounds
History	How, Why	No	No	No
Case study	How, Why	No	Yes	Overall strategy, primary focus on in depth interviews

Source: Yin (2003)

Yin (2003) discusses the three main characteristics to determine which strategy is the best to be employed: the form of the research question, control over behavioral events and focus on contemporary events.

The research question can take an explanatory approach asking “who, what, where, how many, how much” which are best dealt with using survey or archival analysis. As for the case study strategy, the objective is to answer how and why questions. The research question in this study is “*Why and how human resource practices transferred from American and European multinational companies to their subsidiaries in Lebanon being adapted?*” conceived to answer why the human resource practices are being adapted and not simply identifying which human resource practices are adapted. The four underlying research issues have embedded “how” and “why” approaches even if the formulation doesn’t include these exact two words.

The control of behavioral events describes the degree to which the researcher can manipulate the behavior of the subjects. In this study, the researcher has no control over behavioral events, neither directly over the respondents nor indirectly by being able to influence the strategy of the researched subsidiaries. Case study is the best method when the researcher is aiming at understanding complex contemporary events without having control over the situation.

Contemporary events are events that take place at the time of the research and can be observed by the researcher (Yin, 2003). This study is based on contemporary events occurring in the ten Lebanese subsidiaries studied. As Gauri & Gronhaug (2002) specifies, the focus should be on one aspect of the business which is in this study the transfer of human resource practices towards Lebanese subsidiaries. Stake (1995) specifies that case study should analyze real-life people challenges. In this study, several issues related to real-life people challenges are investigated including local reasons behind adaptation, transfer challenges and the dilemma between keeping a strong global organizational culture and adapting to national culture requirements.

Case research involves five important steps according to Stake (1995):

1. Determining and defining the research questions

The first step in case research is to determine the research questions to be studied. Clear research questions give the researcher the ability to determine what the best methods to use in collecting data are. Usually, case research answers questions of “how” and “why”

2. Designing case research

Designing the case means determining the logic that links the data to be collected and the conclusion to be drawn to the initial questions of study. The research design includes the unit or units of analysis and the logic linking the data to the criteria for interpreting the findings. If the sample contains multiple cases, it is essential to decide whether the cases will be analyzed independently and as one unit or it contains several units to be analyzed one after the other.

3. Collecting necessary data

A large amount of data can be collected using case research. However, the researcher must be organized and systematic in order not to have excess of data. Data must be referenced, sorted and tabulated in order to be able to interpret it easily. Data might be collected using archival records, interviews, direct observation, participant observation and physical artifacts (Eisenhardt, 1989).

4. Describing the cases

This step gives a description of the case. It uses many narrative techniques. The case is similar to a story with an introduction, body and conclusion.

Cases can be descriptive, explanatory or exploratory. Descriptive cases provide detailed information about a situation or circumstances. It provides usually unbiased information about the case. As for explanatory cases, the researcher takes the role of an expert. His/ her role is to make difficult subjects accessible by the reader. The aim is to make the incomprehensible clear and easy to understand. Finally, the exploratory cases assume that researchers are knowledgeable in the subject. The case writer remains in the background but makes sure that all of the contingencies are planned for ahead of time.

5. Analyzing the cases

It is very difficult to analyze qualitative data. Qualitative data analysis relies mostly on authenticity rather than on reliability. The researcher has to present an authentic understanding of people’s experience. In other words, data has to be interpreted against the background and the context in which they are produced (Hammersley and Atkinson, 1983).

According to Miles (1979): *“The most serious and central difficulty in the use of qualitative data is that the method of data analysis is not well formulated. The analyst faced with a bank of data has very few guidelines for protection against self-delusion, let alone the presentation of unreliable or invalid conclusion to scientific or policy-making decisions. How can we be sure that an early, undeniable, serendipitous finding is not, in fact, wrong?”*

A major advice that Miles & Huberman (1994) have given to case analysis is that data collection and data analysis should be done in parallel starting from the first case/interview conducted.

The case study analysis is illustrated in the following table:

Table 29: Techniques for case study analysis

Techniques for case study analysis	Explanation
Chronologies	Narratives of the events that took place, organized by data
Coding	Sorting data according to concepts and themes
Clustering	Categorizing cases according to common characteristics
Matrices	Explaining the interrelationship between identified factors
Decision tree modeling	Grounding a description of real-world decisions and actions coherently by using multiple cases
Pattern matching	Comparison between a predicted and an empirically based pattern

Source: (Ghauri & Gronhaug,2002)

Chronologies technique is more a “story telling” that presents in written chronologies or biographical histories of the organization or individuals. It is very useful if the researcher wants to explain or analyze a phenomenon over time.

As for coding, it is simply rearranging the data that was collected into conceptual categories. Data is conceptualized, put together and presented in a comprehensive way. This technique makes it easier to relate information to research questions and come out with conclusions.

Clustering involves interpreting cases and putting them into groups or clusters that share similar patterns of configurations. A common clustering technique in international business is to find themes or variables that cut through cases. As for matrices, they serve as displays to show and analyze cases by exploring the interrelationship between different factors. Once each case is well understood, the case is stacked in a “meta-matrix” which permits a systematic comparison.

Gladwin (1989) has proposed the “decision tree modeling”. A decision tree is built for each case illustrating the factors in individual decision making.

Finally, pattern matching is useful when data analysis leads to the development of propositions. Yin (1994) has describes pattern matching technique as when several pieces of information from one or several cases are related to a priori assumptions. A pattern must be found to accept or reject the proposition.

Gauri & Gronhaug (2002) consider that researchers should use a mixture of the above mentioned strategies: pattern seeking, matrices, clustering, etc.. The use of multiple data collection methods and analysis techniques provide the researcher the possibility of triangulating data in order to strengthen the research findings and conclusions.

The method to be used depends on the type of study undertaken, the research questions and the cases selected.

4.5 Criteria for selecting multiple case studies

There are two options to follow in case study research. The researcher could use one single case study or combining more than one case to form a multiple case study. For this research, a multiple case study approach was chosen since it is better suitable to answer the research question. In addition, studying multinational companies from different sizes, sectors and nationalities provides stronger results that could be generalized. According to Yin (2003), the multiple case studies approach is more advantageous than the single cases study for several reasons. It follows a more rigorous methodological approach based on the logic of replication. Second, multiple case study could be used for theory generalization. Finally, this approach provides triangulation of perspectives which also strengthen the research.

4.5.1 Replication logic for multiple case studies

According to Yin (2003), there are two types of replication logic that could be achieved through the selection of cases relevant to the research problem: Literal replication and theoretical replication. Literal replication produces similar results for predictable reasons while theoretical replication produce contrary results for predictable reasons. In this study cases are selected at literal replication since the study aims at investigating the human resource practices at Lebanese subsidiaries of American and European multinational companies. The common trait between all the units studied is that they are all operating in the

same host country which is Lebanon and they might be all influenced by the same local contextual factors. However, theoretical replication is also achieved through the fifth research issue which aims at identifying any differences between American and European multinational companies in transferring their practices. The contrary results might occur here because of the difference in home countries or nationalities of the MNCs studied.

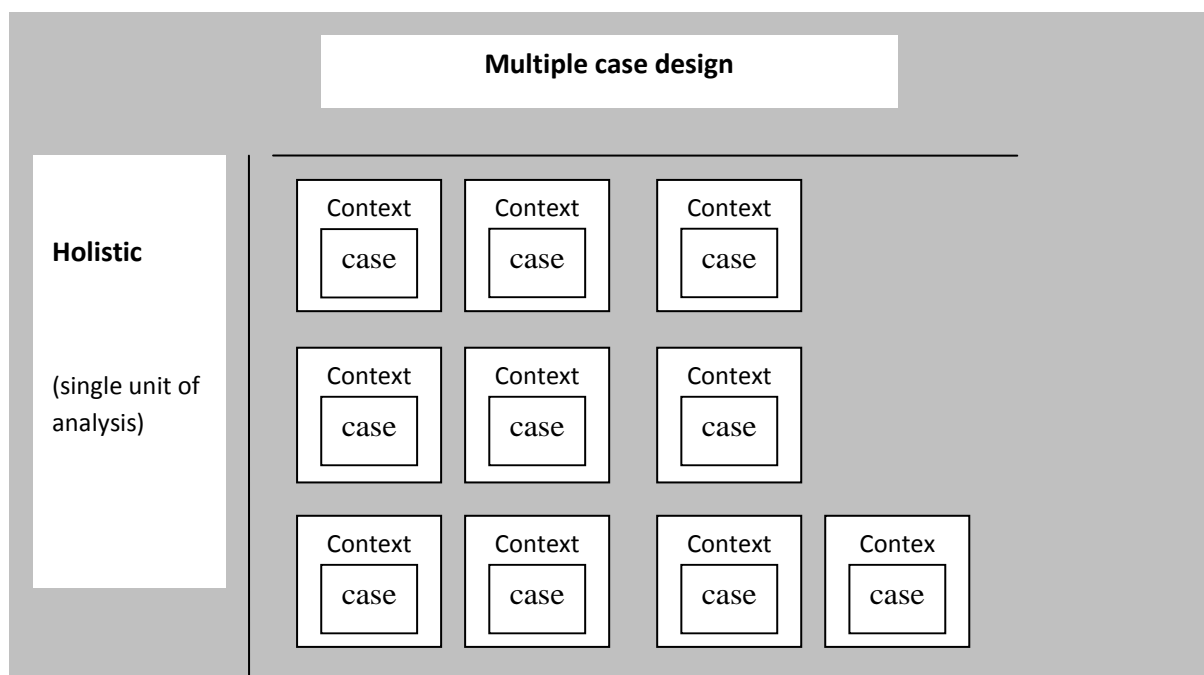
Applying the literal replication logic to the selection of cases leads to an expectation that all ten subsidiaries will lead to similar results as to the adaptation of human resource practices and therefore assuming that the host country factors influenced heavily the transfer process.

4.5.2 Case-study design, selection of cases, interviews and sources of cases

4.5.2.1 Case study design

A total of ten main case studies involving ten interviews are selected for this study. However, it is important at this stage to define what a case study is. According to Stake (1995), a case could be one person, a program or a subset of organizations. Stake (1995) goes further and explains that it is difficult to define a case and defines it as “*a specific, complex, functioning thing*”. The unit of analysis is the subsidiary with a total of ten subsidiaries. If there are several case studies chosen with a single unit of analysis for each case, the design is called a holistic-multiple case design (Yin, 2003). This study uses a holistic multiple-case studies design. Based on this definition, this study is a multiple case study involving ten main cases. The figure 15 below explains why it is a holistic multiple case design:

Figure 15: Holistic multiple case study design



Adapted from Yin (2003)

The following table 30 presents an overview of the MNCs studied:

Table 30: Cases studied

MNC	Nationality	Sector	Year of implementation of subsidiary in Lebanon	Number of employees in the Lebanese subsidiary	Part of Fortune Global 500
AM1	American	FMCG	2001	100-200	Yes
AM2	American	Insurance	1953	100-200	Yes
AM3	American	Medical equipment	1995	50-100	No
AM4	American	Auditing services	1948	100-200	No
FR1	French	Cosmetics	1999	100-200	Yes
FR2	French	Pharmaceuticals	2005	100-200	Yes
UK1	British	Tobacco	NA	50-100	No
UK2	British	FMCG	1963	100-200	No
CH1	Swiss	Dairy products	1932	100-200	Yes
CH2	Swiss	Hotels	2002	100-200	No

(Source: Developed for this study)

To preserve confidentiality and maximize ease of reading, the main cases are coded as cases “AM” for American, “FR” for French, “UK” for British and “CH” for Swiss.

The interviews were conducted with the ten human resource managers of the ten subsidiaries who have accepted to participate in the research after being sent presentation letters (Appendix A) briefing the objective of the research.

4.5.2.2 Selecting cases

According to Eisenhardt (1989), the random selection of cases is not preferable. Patton (1990) suggests the purposeful sampling as a strategy to select cases. According to this strategy, the cases are selected according to the extent to which it could provide rich and deep information about the topic. The researcher selects respondents who can provide him with rich information due to their professional, personal experience and/or their position in the company. In this study, five out of the ten multinationals are listed in the Fortune Global 500 and the other five unlisted MNCs are prominent and very reputed multinational companies. Besides, the respondents’ backgrounds were added values for the research due to their long

experience dealing with human resource issues locally, regionally and globally. The respondents' backgrounds are summarized in the table 31 below:

Table 31: Interviewees profiles

MNC	Gender	Age	Position	Years of experience
AM1	Male	35-45	Senior human resource manager	10-15
AM2	Female	46-55	Deputy regional HR director	16-20
AM3	Female	46-55	HR manager Middle East	16-20
AM4	Female	56-65	Human resource manager	21-30
FR1	Female	35-45	Human resource manager	10-15
FR2	Male	46-55	Head of human resources Near East	16-20
UK1	Female	35-45	Head of human resources Levant & Yemen	10-15
UK2	Female	35-45	HR manager Middle East	10-15
CH1	Male	35-45	Senior HR manager	10-15
CH2	Female	35-45	Director of human resources	10-15

Source: Developed for this study

The sample was not chosen randomly as discussed earlier but following certain criteria that are essential for the success of the research:

Nationality

The multinationals selected are American and European. The reason for this choice relies on the abundance of American and European multinationals operating in Lebanon relatively to other nationalities.

Size

Another criteria used for selecting cases to study is the size of the subsidiary operating in Lebanon. Size in this case is related to the number of employees working in this subsidiary. All subsidiaries selected have a minimum of 10 employees working under its premises.

Legal status

Several multinational companies don't have wholly-owned subsidiaries in Lebanon. The majority of MNCs have representative offices or distributors in Lebanon. Many MNCs are present in Lebanon through franchises or even through exportation. All the MNCs chosen as

cases for this thesis are wholly-owned subsidiaries. This legal status is essential for the success of the study where the subsidiary has to have a direct contact with the parent company and where a transfer process is occurring or has already occurred.

Human Resource Department Availability

As the empirical section implies, a semi-structured interview will be conducted. The most qualified person in the MNC to respond to the questions of the interview guide is the human resource manager. Therefore, a human resource department should be present on the organizational map of the subsidiary for the study to succeed especially that the HR department is the department which is the mostly involved in the transfer process and the implementation, internalization and the integration of transferred HR practices.

Accessibility

In developing countries, especially Arab countries, accessing an organization is not an easy task. Since the collection of data method chosen is interviewing, it is essential to access the organization. Furthermore, it is not feasible to interview senior managers about critical issues without the approval of the organization. It is always rich to conduct studies in MNCs (Ghauri, 1992) but it is likely harder to negotiate access and identify the right informants who have personally been involved in the phenomenon under study. Accessibility is then a major criterion in selecting cases to study. To solve this problem, the researcher had to rely on networking to access MNCs. Through direct contacts, friends, relatives, colleagues and acquaintances, access became possible.

4.5.2.3 Number of interviews

As explained earlier, a total of ten interviews were conducted with the human resource managers of the ten subsidiaries studied. It is important to note that a second series of interviews with same human resource managers was conducted where the results of the first series of interviews were presented and additional, more company specific questions were asked.

The aim of the second series of interviews was to ensure validity (will be discussed later). The second series of interviews was done with nine human resource managers out of the ten previously interviewed due to the relocation of the human resource manager of AM1 to

Egypt. An additional interview was done with an HR expert from academia who has given precious insights as to the research results and methodology. Two interviews were conducted with the human resource managers of the regional office of AM3 and the parent company of CH1. The total number of interviews is then 21 which fall in the recommended range of 20 to 50 (Perry, 1998).

4.6 Judging the quality of the case study design

This section deals with the issues of construct validity, internal and external validity and reliability using the four criteria explained by Yin (2003). The table 32 below explains these issues and their application to this study:

Table 32: Case study tactics for four design tests

Criteria	Case study tactics	Application in general	Application in this study
Construct validity	<ul style="list-style-type: none"> • Use multiple sources of evidence • Establish chain of evidence • Have key informants review draft case study report 	<ul style="list-style-type: none"> • Data collection • Data collection • Data analysis and report writing 	Multiple interviews, documents, websites Structuring of data Report reviewed by Interviewees (presentation)
Internal validity	<ul style="list-style-type: none"> • Do pattern-matching • Do explanation-building • Address rival explanations 	<ul style="list-style-type: none"> • Data analysis • Data analysis • Data analysis 	Cross-case analysis Implications
External validity	Use Replication logic in multiple case studies	Research design	Choice of multiple case study over single case, comparison to literature
Reliability	<ul style="list-style-type: none"> • Use Case study protocol • Develop case study database 	<ul style="list-style-type: none"> • Data collection • Data collection 	Use of tested interview protocol Thorough documentation in Chapter 4

Source: Yin (2003)

The construct validity describes the establishment of correct operational measures for the concept under review (Yin, 2003). This study tried to establish correct operational measures for the concept under review by identifying five research issues. According to Yin (2003), there are three ways to increase construct validity. The first method is the triangulation. Triangulation is done through the collection of data from multiple sources. In this study, data were collected from different sources including in-depth interviews (Appendix A), paper-

based documentation, web-based documentation and previous records about the multinational companies. Interviews were done with the human resource managers of the ten Lebanese subsidiaries in addition to three human resource managers in the parent company, the regional office and another subsidiary of three out of the ten multinational companies. An expert from academia was consulted and interviewed about the topic in order to have additional insights. The second technique recommended by Yin (2003) is the establishment of a chain of evidence. During data analysis, all data recorded and sources collected were systematically well documented and referenced. As recommended by Yin (2003), a case study protocol and an interview protocol are prepared (Appendix A). The interview protocol which will be discussed later was previously validated by other studies which increases further its validity (Wachter et.al, 2003). The third technique that increases construct validity which is to make participants review the draft of the case analysis was executed with nine out of the ten human resource managers of the Lebanese subsidiaries. This technique removes any inconsistencies or ambiguities in the analysis and allows the participants to give their comments, modifications or approval on issues discussed.

The internal validity refers to the extent the results of the study are credible and true (Miles & Huberman, 1994). In qualitative research, the problem of identifying cause-effect relations is not present. Instead, the qualitative research tries to identify what variables are involved in a phenomenon (Yin, 2003). To improve internal validity, Yin (2003) recommends pattern matching and addressing rival explanations before drawing conclusions from inferences. Pattern matching between collected data and theoretical knowledge is done during the case analysis phase to ensure internal validity. This study tried to increase internal validity by conducting within-case analysis and cross-case analysis trying to find a link between the data collected in the form of observations, inferences, quotes, explanations and meanings in order to produce credible results in the form of conclusions in chapter 5.

The external validity refers to the extent to which the results of the study could be generalized beyond the cases at hand (Yin, 2003). Yin (2003) explains that in qualitative research, analytical generalizations (not statistical as in quantitative approach) are done using the replication logic and also by comparing the results with the existing literature. In this study, a multiple-case study approach was undertaken to achieve analytical generalization by allying literal replication.

The reliability refers to the extent this study would produce similar results if repeated (Yin, 2003). Yin (2003) recommends the development of a case study protocol in the research design phase to maximize reliability. The protocol is used to collect data and to develop a case database during the data collection phase. The interview protocol used was previously tested in other studies (Wachter et.al, 2003). Yin (2003) recommends that a case study database should be set and kept up-to-date for the researcher to access data if necessary. For this study, the main tools used to ensure reliability were the documentation of the data collection process and the use of tested interview protocols.

4.7 Data collection procedures for case studies

Two issues are discussed in this section: the sources of data and the case study protocol focusing on the interview protocol.

4.7.1 Sources of data

In this study, data is collected mainly from in-depth interviews, documentation, direct observation, physical artefacts and archival records. The main source for data comes from the in-depth interviews conducted with the human resource managers in the Lebanese subsidiaries studied. The analysis of documents given to the researcher by the interviewees further enhances triangulation. During the interviews, several human resource managers provided the researcher with internal documents such as documents explaining the corporate culture, the values, the human resource policies and other relevant documents to the study. More confidential documents were shown to the researcher like for example the standard business manuals or code of conducts. Other interviewees went further by showing the researcher on their PC screens received or sent mails relevant to the discussion that was taking place at that time. In-depth interviews remain the most important source of data because they give valuable insights about the four research issues and as a matter of fact the research question. However, it is important to note at this stage that documentation according to Yin (2003) can take many forms and should be the object of explicit data collection plans. Documents are varied and could be:

- Letters, memoranda and other communiqués.
- Agendas, announcements and minutes of meetings and other reports of events.
- Administrative documents including proposals, progress reports and other internal records.
- Formal studies of evaluations of the same “site” under study.

- Newspaper clippings and other articles appearing in the mass media or in community newsletters.

Although recommended and considered as essential source of evidence when writing case studies, several researchers were critical when over relying on these documents. It is important to remember that these documents were written for a specific purpose and a specific public that might be different from the purpose of the research conducted (Yin, 2003). In this study, several internal company documents were used to write the case studies but were neither cited nor included in the appendices due to the anonymous nature of the study and the high confidentiality that the MNCs studied were willing to maintain. Furthermore, data was also collected from the MNCs' and the subsidiaries' websites. However, any of the retrieved information was included in the text, cited in the bibliography or added to the appendices for the same previously mentioned reasons.

Direct observation was used also to collect data for the case studies. Yin (2003) states: *“By making a field visit to the case study “site”, you are creating the opportunity for direct observations. Assuming that the phenomena of interest have not been purely historical, some relevant behaviours or environmental conditions will be available for observation. Such observations serve as yet another source of evidence in a case study”*. In fact, during interviews, the behaviour of HR managers was observed sometimes through telephone calls they have done or little conversations they had with other employees. As an example, one of the HR managers interviewed received a phone call from a friend or maybe a family member who was referencing a candidate for a job opening. Such an observed incident might give the researcher insights about the company's culture, processes and environment.

Physical artefacts are also a source of evidence in collecting data for case studies (Yin, 2003). A physical artefact could be a tool, instrument, work of art or other physical evidence. In this study, physical artefacts included brochures, posters, gadgets and other elements that were either shown or offered to the researcher during the site visit. One example of a physical artefact was a kind of big bottle placed next to the door of the HR manager whereby employees drop their complaints especially those related to the code of conduct violation. This physical artefact, having a work of art shape, was shown to the researcher while discussing codes of conducts and whistle blowing issues.

Archival records were also used in this study. Archival records might include service records, organizational records, maps and charts, lists of names, survey data and personal records. In this study, several archival records were displayed to the researcher including previous employee handbooks, old e-mails and old employees' surveys that were relevant to the theme discussed during the interview. These archival records are also confidential and were shown but not handled to the researcher.

In brief, five sources of evidence were used in doing case studies. As recommended by scholars, multiple source of evidence increases the quality of the case studies and improves the construct validity of the research discussed earlier in this chapter. The table 33 summarizes the source of data used:

Table 33: Sources of data

Source of evidence	Explanation	Applicability in this study	Limitations of the study
Documentation	Several forms of documents relevant to the case study topic	Company brochures, website, articles about MNCs appearing in the media, specialized internet sites such as Datamonitor (www.datamonitor.com)	Confidential, not included in case description not included in appendices.
Interviews	Semi-structured in-depth interviews, open-ended questions	Semi-structures interview guide tested in previous studies	Anonymousness of the interviewees and the MNCs studied
Direct observation	Observation of events and behaviour during the visit to the site	HR managers behaviour and relations with other parties (external and internal) observed	Only behaviours relevant to the theme of the study emphasized (selectivity problem)
Physical artefacts	Physical evidence objects	Posters, instruments (example: the complaints bottle)	Unavailability in all case studies
Archival records	Computer files and records kept in the archive	Employees handbooks, e-mails, surveys	Confidential material that could not be included in the study

(Source: Developed for this study)

4.7.2 Case study protocol

Yin (2003) defines the case study protocol as consisting of the interview protocol and the procedures and general rules that should be followed during data collection. The interview protocol being the main element of the case study protocol is used to provide answers for the five research issues and to facilitate the data analysis. The interview used which was adapted from the study of Wachter et al. (2003) was used for the ten human resource managers in the Lebanese subsidiaries.

By definition, an interview study involves direct researcher-respondent conversations (in person or by phone). It is useful in this section to explain why a semi-structured interview is appropriate and why many researchers including myself are motivated to use interviews as data collection technique. According to Eisenhardt (1989), interview-based research studies are important for exploratory and theory building studies which is the case for this thesis. Interviews allow the researcher to discover relationships not previously identified. It is also important to use this type of study when there is a need to illustrate a variety of company responses to a given situation so that academics and practitioners can find different alternatives that the company can take. This first reason assures that choosing interview-based study is essential for this study which is the transfer of HR practices from parent companies to subsidiaries in Lebanon taking several subsidiaries as samples and trying to understand the transfer process within their subsidiaries and conducting comparisons across cases.

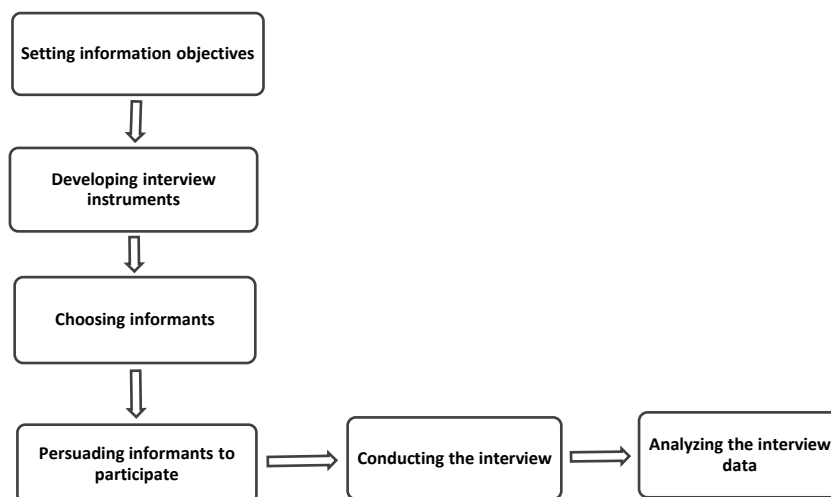
Another reason for choosing an interview-based study is when there is a small population of possible respondents. The essential is the depth of the data and not the breadth of the data. The researcher should consider what responses he/she wants, from whom and how many responses they need to obtain representative answers. This is another reason for choosing interviews as a data collection tool for this thesis. The number of respondents is relatively small due to the small number of American and European multinationals operating in Lebanon through a direct foreign investment i.e. a subsidiary. Second, the depth of the data is needed from respondents in these subsidiaries since the aim of this thesis is to explain and explore the transfer process of HR practices taking the problem from different perspectives: HR instruments, degree of adaptation/standardization, headquarter/subsidiary relation, channels of communication, etc..

Furthermore, interviews allow researchers to develop deep rapport with respondents which is necessary to acquire honest and accurate answers. Such a rapport is essential if the researcher needs to follow up or wants additional information. This researcher-respondent relation is needed for this thesis since the type of questions asked in the semi-structured interview are

sometimes sensitive and critical and the answers need to be transparent to provide insight when analyzed. As an example, when a human resource manager is asked to talk about the relation between the subsidiary and the parent company, several vital issues will be raised. For this reason, interview-based study gives a human dimension to the relationship, not found for example in questionnaires. This human dimension might be the reason of honest answers. However, interview-based study has also some limitations. Time for example might be a major constraint if the population is large. Furthermore, the researcher has to have interpersonal skills in addition to research skills in order to succeed in this type of study. A researcher might be faced with an executive whose income and status are much higher than the researcher's income. As a result, researchers might feel themselves shying away from interview research.

Planning and conducting the interviews process is illustrated in the following figure 16:

Figure 16: Interview process



Source: Developed for this study

The first step is to know what information is needed for the study. Information needed depends on the objective of the study. There are two possible orientations: either the researcher approaches the topic without a preconceived theory (Eisenhardt, 1989) or tries to modify or validate an existing theory (Yin, 1994). If the researcher is starting without any preconceived theory, the result will be more open-ended discussions with only a broad topical area to guide interviews. If the researcher wants to modify or validate, questions should be more focused. In both situations, the researcher should have reviewed may related studies to

be able to converse intelligently. For this thesis, the researcher has been familiarized with several similar studies but is approaching the topic without any preconceived theory due to the originality of the study.

The second step is to develop the interview instruments. It is useful for the researcher to review instruments developed in other successful studies or articles. However, this is not an easy task since articles rarely include in their appendix a copy of interview guides. The interview instrument is the interview guide used by the researcher as a checklist to help him/her ensure that all topics were included and covered. Even if the discussion will be open ended but the interview guide keeps the interviewer on track. It serves as a framework to compare results across cases and to bring back the respondent to the topic if he/she spends much time on an unrelated topic. The interview guide for this thesis will be discussed in details later in this section.

The third step, the researcher should choose who should be interviewed. It is not an easy task to choose the respondents especially if the population consists of companies. The researcher must first choose the companies to include in their research and then choose whom to interview in those companies. The easiest way is to use databases and directories to select companies. In the case of this thesis, it was very difficult to track American and European multinationals operating in Lebanon. The reason for this difficulty in finding the MNCs is the criteria set by the researcher for a subsidiary to qualify as respondent. The criteria used to define the informants/respondents were the nationality, the size, the existence of an HR department and an HR manager and the legal status (subsidiary not a representative office or a licensee to distribute).

In this study, the choice of the multinationals was based on the above mentioned criteria in addition to the accessibility to these subsidiaries. To be able to access such subsidiaries and be able to interview top managers and/or human resource managers, the researcher had to rely on personnel contacts including practitioners, academics, embassies, friends and relatives. An initial contact with the person to be interviewed is essential to determine his/her readiness, knowledge and openness to answer the researcher's questions. This initial contact was done through introduction letters or short phone calls. The researcher in this thesis had to contact the prospective interviewees by phone before conducting the interview.

As to persuade the potential informants to participate, this was done through sending letters well designed and that could attract the attention of the respondents (Appendix A). Letters from academia or university officials are sometimes necessary to give the researcher more credibility vis-à-vis the potential respondents. Letters were sent by the thesis supervisor, Dr. Eric Davoine, Chairman of the human resource and organization department at the University of Fribourg to the participants be persuaded to participate along with a letter about confidentiality (Appendix A).

As for conducting the interview, the researcher should be so familiar with the interview guide so that not to refer to it while conducting the interview. The researcher must create a comfortable and secure environment so that the respondent forgets that he/she is being interviewed. Usually, taped interviews are not appreciated by respondents. However, for the sake of this thesis, the interview will be recorded so that the researcher could recapitulate the answers later. It is advisable to start the interview by exchanging business cards and starting a little chat about a topic unrelated to the study (the weather, the building, the functionality, etc..) so that the respondent be at ease. The next step is to re-explain briefly the study and why it is being conducted. The researcher should then reassure that the answers will be confidential and should tell the respondents about the names of the other companies being interviewed. The researcher should inform the respondent that he/she will receive a copy of the interview before being published. National differences should also be taken into consideration when interviewing. The researcher should be aware about the business etiquette issues across cultures and countries. Any ambiguity that arises during the interview should be clarified immediately in order not waste time. The language should be uniform and translation pitfalls should be avoided. In the case of this thesis, the interviews will be conducted in English.

Finally, the interview should be analyzed. Notes must be written down immediately before being forgotten and organized following the same order of the interview guide. Spreadsheets are useful to compare different answers to the same question. Impressions and analysis of the researcher should also be included. According to Yin (1994), each new interview should be kept in a case database which includes the interview transcript and analysis, as well as any public or private documentation collected on the company or individual. If several respondents from the same company were interviewed, internal consistency must be analyzed taking into consideration the respondent's responsibilities and level in the organization. It is

also useful to compare the answers of the respondents with the public company reports, press releases and other company documents or written articles about the company. Sometimes, unexpected answers or findings occur. As a matter of fact, the researcher should include a row in the coding spreadsheet for new insights or unexpected findings. It is advisable to show the respondents the case analysis before publication.

The following table 34 summarizes major treatises on the analysis of interview data:

Table 34: Interview analysis treatise

Author	Focus of the treatise
Eisenhardt (1989) Parkhe (1993)	Interviews for theory building research
Yin (1994)	Guide for qualitative methods on theory validation
Cavusgil & Das (1997)	Review of methodological issues in cross-cultural research.
Easterby-Smith and Malina (1999) Teagarden et al.(1995)	Challenges of planning and coordinating qualitative research teams

Source: Developed for this study

As for building the interview guide for this thesis, the researcher has followed the hierarchal questioning structure pattern illustrated by Langer (2001) starting by broader questions designed to put the participant at ease followed by increasingly more specific questions to draw out details. Questions were made easy to understand. The reason is that in personal interviews, the interviewer is the research instrument and the interview is an opportunity to enter the mind of another and see the world as they see it (McCracken, 1988). To facilitate this process, the questions should be asked in ways to which the respondent could understand the contents of the question (Briggs, 1986).

The interview guide starts by asking questions to collect personal information about the participant. Questions include his/her age, position, professional experience, education and present responsibilities with the subsidiary.

The second part aims at having a general overview about the multinational company including its location, activity, size, history, mission, vision, competitive advantage and the international strategy.

The third part emphasizes on information about the subsidiary: activities, target market, market share in Lebanon, size, structure, strategy, objectives, and implementation date in Lebanon.

The questions about the size, the structure and the age of the subsidiary aim at understanding the effect of these variables on the transfer process of HR practices. The size might be a facilitator or a barrier to the transfer of HR practices from the parent company to the subsidiary. The same applies to the age of the subsidiary and its structure.

The interview becomes more specific in the fourth part. The aim of this part is to understand the subsidiary-parent company relation. Specific questions will be asked in this part about the decision making process in general and decision making process regarding human resources in particular, the coordination mechanism including the degree of operational, tactical and strategic maneuver given to the subsidiary, in addition to questions regarding the place of the subsidiary within the MNC, the level of trust between the parent company and the subsidiary, the channels of communication, and the control system that binds the relationship between the parent company and the subsidiary. This part tries to analyze deeply the relation that links the subsidiary to the parent company aiming at understanding the effect of several variables on the transfer process of HR practices. The dependence of the subsidiary on local raw materials might have an effect on the transfer process. Moreover, if the subsidiary depends on specific resources only accessible through the parent company, the transfer process might be easier. The level of autonomy of the subsidiary, the interaction ties and trust that exist between the subsidiary and the parent company might have an influence on the transfer process.

The fifth part approaches much more from the core of the study. It aims at understanding which HR practices are standard and which were adapted to fit the Lebanese culture still to be detailed in the sixth part of the interview guide. A detailed description of the human resource instruments being applied in the subsidiary is needed at this stage of the interview and a deep understanding of the home and host country influences on those instruments is to be explored. This part aims at understanding to what degree national values and the institutional profiles of the home country and the host country have affected the HR practices implemented at subsidiaries in Lebanon. This part will give important insights about the degree of standardization and adaptation of HR instruments implemented and internalized in the subsidiaries operating in Lebanon.

The sixth part aims at exploring the transfer process of human resources practices between the parent company and the subsidiary. The questions aim at giving a deep understanding of the transfer process from three different perspectives: what was transferred, how the transfer occurred and what were the facilitators and the barriers to the transfer. Several secondary questions will accompany the questions. These secondary questions aim at narrowing more the question, filling some gaps in the respondent’s answers or clarifying some critical issues to the researcher.

The following table shows how interview questions are related to the five research issues:

Table 35: Summary of the research issues and related interview questions

Research issues developed in Chapter 2	Interview questions in the interview protocol
RI1: Which IHRM approach do MNCs headquarters versus subsidiaries currently follow along a continuum from exportive to adoptive and integrative approaches?	Parts 4 & 5
RI2: Which HR practices were adapted?	Part 6
RI3: What are the cultural, societal, legal and business specific issues behind possible adaptations of human resource practices?	Part 5
RI4: Is there any differences between American and European multinationals in their transfer of human resource practices towards their Lebanese subsidiaries?	NA
Additional information to help in addressing the research question	Parts 1,2 &3

(Source: Developed for this study)

It is important to note that in the above table, each part rather than questions was linked to a research issue since each part is constituted of interrelated questions that if grouped under a part will give insights for the research issue. Individual questions might not alone be linked to a research issue.

4.8 Case study analysis

The data collected from the main case studies are examined and analyzed trying to answer the research question and the five underlying research issues (Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 2003). A well-organized data analysis enhances the credibility of the qualitative study (Yin, 2003).

In this study, data collected from interviews are kept along with other documents about the company in matrices to structure the data flow (Appendix B). The initial recorded interviews

are kept in records along with their transcripts and the researcher had to go back several times to these original documents while analyzing the cases. This study presents two forms of case analysis: 1) **The within-case analysis** which analyses and compares data and patterns within one main case (the subsidiary as a unit of analysis). The within-case analysis reveals insights about the transferred human resource practices towards this specific subsidiary. 2) **The cross-case analysis** which compares data across the ten subsidiaries in order to find either similarities or differences. The cross-case analysis better serves the fifth research issue which tries to identify any differences between American and European multinational companies as to the transfer of human resource practices. It also serves the other four research issues by revealing and comparing what IHRM approach is the multinational using, which human resource practices were adapted, what are the reasons behind these adaptations (is there any commonalities) and what should be changed to better adapt to the local context.

The final step in case analysis is build conceptual and theoretical coherence through comparisons with prior theory in the existing literature, seeking out opportunities to replicate the research findings (Miles & Huberman, 1994).

4.9 Limitations

This section discusses the limitations of the qualitative research in addition to the limitation of the case-study method. The section discusses how this study tried to address these limitations.

4.9.1 Limitations of qualitative research

There are four main limitations for qualitative research that are cited often in the literature (Zikmund, 2000):

- a) **Generalisability:** By researching only four American and Six European multinationals, it is difficult to generalize theories neither about American multinationals' nor about European multinationals approaches in transferring their human resource practices. Furthermore, results extracted from the cases studied which are ten subsidiaries operating in Lebanon might not be generalized due to the small number of cases studied. Furthermore, differences within European multinational companies were disregarded from this study since there are two cases per European nationality (2 French, 2 British and 2 Swiss) and the results could be even more difficult to generalize.

- b) Deductibility:** The complexity of the issue and its originality doesn't allow theory building from deduction. This study uses an inductive approach to establish a theory (Perry, 1998).
- c) Controllability:** The human resource function is subject to many influences that are not controllable such as the economic situation, the political situation, the labor market, etc...To minimize the influence of macroeconomic differences between the subsidiaries which are all operating in Lebanon, the interviews were all conducted in the same time frame which is the period between May and June 2009.
- d) Repeatability:** The transfer of human resource practices or more generally the international human resource management is an ongoing process and therefore the transfer of human resource practices cannot be repeated under the same circumstances each time like in a controlled experiment.

4.9.2 Limitations of the case study method

The case study methodology is criticized for several reasons. The first criticism is that usually case studies produce complex theories (Stake,1995). This study identified a clear and specific research question on which case studies were focused on. Five underlying research issues were developed to facilitate and to further specify the research problem. The second criticism is its inability to achieve external validity. This issue was discussed in section 3.6. The third criticism is the difficulty to conduct case study research due to logistic and operational problems (Yin, 2003). To overcome this difficulty, the study followed a case-study protocol and an interview protocol (Appendix A) as recommended by Yin (2003) in addition to locations easily accessible by the researcher (Lebanon). Another criticism is that the case study is not sufficient for sound theory development. This study used an interview protocol previously used in other research (Wachter et al., 2003) in addition to the use of multiple approaches in case analysis. The last criticism is related to the researcher bias and lack of rigor in data analysis. To overcome this limitation, the results were discussed with the thesis supervisor who has performed similar studies on other countries, colleagues who are performing the same research on different countries and an expert in human resource management from academia.

4.9.3 Similar research based on case research method

Several studies which have dealt with the transfer dilemma have used the case-study research methodology to gather information and understand how the transfer process occurred. In their paper entitled “A typology of international human resource management strategies and processes”, Dickmann and Muller-Camen (2006) develops a framework of international human resource management (IHRM) that moves beyond strategy and structure to focus on processes. The results of six case studies of large German multinational corporations in three countries show different configurations of IHRM strategies and policies. International knowledge flows and coordination varied in intensity, content and direction. Gamble (2003) has also used the case-study methodology in his research “Transferring human resources practices from the United Kingdom to China: The limits and potential for convergence”. This paper addressed the transfer of a British-owned retail firm's HRM practices from the United Kingdom to the People's Republic of China, From a variety of perspectives the expectation might be that the transfer of parent-country practices in this instance would be limited: HRM has not been considered a particular strength of UK firms; retail firms operate in a multi-domestic context directly serving local customers rather than as part of an integrated international production network; and there is a high cultural distance between the UK and China, When this multinational retailer entered the China market the express intention was to replicate as nearly as possible the management style of its UK stores. This paper examines the extent to which the firm's parent-country HRM practices, which the company increasingly considers as a key source of competitive advantage, have in fact been transferred to the Chinese stores. The paper aimed at providing fresh insights on the phenomenon of transfer by adopting a qualitative case study approach. Another research by Dorrenbakher (2004) also relied on case-study approach and examined the question of whether German companies flee or export the German model. On the basis of data from the Deutsche Bundesbank and mergers and acquisitions data, the article argues that job exports from Germany in the last fifteen years have been rather marginal. Thus, German multinational corporations (MNCs) do not flee the German model to the extent suggested by many critics of Germany as a production location. In addition, the paper draws on 13 case studies of German investments in Hungary to help understand the extent to which German MNCs export the German model .This case study evidence indicates that German MNCs do not attempt to completely transfer all aspects of the German production model, as some proponents of institutionalist political economy approaches maintain. The German labor relations model, in particular, is only selectively transferred. Edward et al. (2007) have also used a case-study approach in their article entitled

“Conceptual approaches to the transfer of employment practices in multinational companies: an integrated approach”. This article examined the transfer of employment practices across borders within multinational companies. Market-based, cross-national comparative and micro-political perspectives were contrasted on this issue and the article argued for an integrated approach that focuses on interrelationships between markets and institutions on the one hand and the material interests of actors on the other. Data was gathered from a multi-level case study of a multinational in the US and Britain. Ferner et al. (2001) have researched German multinationals in Britain and Spain using a case-study approach. They argued that there are pressures on these companies to adopt an Anglo-Saxon standardized business practices in human resource management and in industrial relations although some German practices persisted such as a long-term orientation and a management approach based on cooperation.

Another study conducted by Wachter et al (2003) dealt with the country of origin effect in the cross-national management of human resources taking American multinational companies operating in Germany and the UK as case studies. The study discusses how companies transfer human resource management practices from headquarters to German and British subsidiaries. It discusses both home country and host country effects on the transfer process and to what extent HR practices are standardized or adapted to the local context which is in this study Germany. The study was based on case studies in 10 companies. The case studies were primarily based on semi-structured interviews conducted with 59 interviewees. Cases were also built based on information from the internet, corporate and subsidiary annual reports in addition to secondary data from articles and books. Case studies were selected based on accessibility which was difficult in Germany. Cases are diverse in terms of industrial sector, size and maturity. In addition, an interview was conducted with experts from the USA in order to better understand the perceptions of American HR managers towards Germany. The main finding is that although Germany imposes considerable institutional restrictions, American MNCs are adopting HR practices shaped by the country of origin despite the fact that both countries share several features of their business system including having a clear corporate culture. The methodology conducted by Tempel et al (2003) was repeated in other countries like the UK, Spain and Ireland taking American MNCs as a sample. These studies are very similar in terms of methodology to this thesis which uses case study research as a methodology to gather in depth information about the transfer process and the factors that affect this process. In addition, interviews with experts are conducted in the study of Temple et al (2003) similarly to this thesis where an expert in HR was interviewed. Tempel et al.

(2003) has considered that their choice of methodology (case-study approach) is based on the perspective of the study. Since the study is done in a dynamic rather than a static business system, in-depth case studies are a suitable empirical tool. Furthermore, case studies are more beneficial than surveys in this case because they provide the researcher with the opportunity to analyze in details motives for behaviors and they enable the researcher to cross-check answers of interviewees (Yin, 1994).

Another study by Tempel (2001) dealt with the transfer dilemma from an institutional perspective. It develops a framework for the analysis of the cross-border transfer of HRM practice between German-owned multinational companies and their British subsidiaries and British-owned multinational companies and their German subsidiaries. The empirical study was also based on case study approach. The analysis of cases revealed that the transfer is shaped but not determined by the institutional environments and identified company and subsidiary structure and strategy and the strategies of organizational actors as facilitators and inhibitors of the transfer process.

4.9.4 Conclusion

This chapter presented the methodology to be used which is a qualitative taking a case-study approach and using in-depth interviews as main instruments to collect data. This chapter also presented the issues of construct validity, internal and external validity and reliability using the four criteria explained by Yin (2003) and how they were applied to this study. The selection criteria for choosing case studies were presented justifying the choice of the 10 MNCs to be studied. The limitations of the qualitative study and more specifically the case-study approach were also explained. Finally, the chapter listed several studies that used the case-study approach to justify the use of the case study approach for this study.

The next chapter will present the ten case studies in a descriptive way in parallel with the research question and the four research issues.

CHAPTER 5: DESCRIPTION OF CASES

5.1 Overview

This section describes the cases of ten multinationals operating in Lebanon. These multinationals are American and European multinationals from different sectors having a subsidiary in Lebanon. Each case is constituted of two parts: a brief description of the company and a description of human resource practices applied in Lebanon. The human resource practices described are: the code of conduct, recruitment and selection, training and development, performance appraisal, compensation and benefits in addition to coordination mechanisms between the subsidiary and the parent company. Furthermore, this section includes an analysis for each case (within-case analysis) giving an overview of the company, describing the human resource practices implemented in the Lebanese subsidiary, describing the relationship between the parent company and the subsidiary in terms of coordination and control and other factors such as perceived subsidiary uniqueness, trust, innovation and job rotation.

A cross-case analysis is then conducted to find a general tendency about the IHRM approaches used (RI1), adaption of human resource practices and reasons behind adaptation (RI2, RI3,) in addition to answering the fourth research issue about differences between American and European multinational companies (RI4) identified in chapter 2.

The multinationals are shown in the following table 36:

Table 36: Multinational companies investigated

MNC	Nationality	Sector	Regional Office	Parent company
AM1	American	FMCG	Switzerland	USA
AM2	American	Insurance	Dubai	USA
AM3	American	Medical equipment	Switzerland	USA
AM4	American	Auditing services	Bahrain	USA
FR1	French	Cosmetics	Dubai	France
FR2	French	Pharmaceuticals	-	France
UK1	British	Tobacco	Dubai	UK
UK2	British	FMCG	Egypt	UK
CH1	Swiss	Dairy products	Dubai	Switzerland
CH2	Swiss	Hotels	Dubai	Switzerland

(Source: Developed for this study)

5.2 Case description and individual case analysis

AM1

1. The company

AM1 is a global manufacturer and marketer of consumer products. The company markets more than 300 brands in over 180 countries spanning Americas, Europe, the Middle East and Africa (EMEA), and Asian region.

The company is organized into three Global Business Units (GBUs) and a Global Operations group. The three GBUs are beauty, health and well-being, and household care. The Global Operations group consists of the Market Development Organization (MDO) and Global Business Services (GBS).

The beauty GBU includes the beauty and the grooming businesses. The beauty business is comprised of cosmetics, deodorants, prestige fragrances, hair care, personal cleansing and skin care. The grooming business includes blades and razors, electric hair removal devices, face and shave products and home appliances.

The health and well-being GBU includes the health care and the snacks, coffee and pet Care businesses. The health care business includes feminine care, oral care, personal health care and pharmaceuticals. The snacks, coffee and pet Care business includes coffee, pet food and snacks. The household care GBU includes the fabric care and home care as well as the baby care and family care businesses. The fabric care and home care business includes air care, batteries, dish care, fabric care and surface care. The baby care and family care business includes baby wipes, bath tissue, diapers, facial tissue and paper towels.

The MDO segment is responsible for developing go-to-market plans at the local level. The MDO includes dedicated retail customer, trade channel and country-specific teams. It is organized along seven geographic regions: North America, Western Europe, Northeast Asia, Central & Eastern Europe/Middle East/Africa, Latin America, ASEAN/Australia/India and Greater China. The GBS segment provides technology, processes and standard data tools to enable the GBUs and the MDO to better understand the business and better serve consumers and customers.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

AM1, an American multinational considers its code as a global conduct manual including global standards to be applied in all AM1 subsidiaries. According to the HR manager of the

Lebanese subsidiary of AM1, the code is fully accepted by Lebanese employees. He considered that in Switzerland, the code is also fully accepted by employees although the diversity in nationalities and cultures. He assured that all employees despite their differences are all complying. AM1 uses different tools to make sure that their manual is well absorbed and understood across the globe. New hires at AM1 have to study the manual which is online and have to pass a test to make sure they understood well its content. The tests are conducted on monthly basis. It is a synchronized test across the globe. Through this synchronized systems, AM1 makes sure that all hires across the globe have completed the training and they have well absorbed the content of the manual. This process is monitored by a global team, a regional team and a local team to make sure that all the organization is compliant on the business conduct manual.

AM1 also uses the organizational culture as control mechanism to make sure that the subsidiary is compliant. On yearly basis, a survey is conducted across the globe to measure “how healthy” the organization is performing. It is conducted by markets, by functions and by different demographics. The survey is anonymous.

b) Recruitment and selection

AM1 human resource manager considered that it is part of the AM1 strategy to have some practices localized and others done on global basis. However, when it comes to recruitment, the “AM1 people system” is global. The recruitment system is the same in Lebanon and in the US. The recruiting process is standard; it is an online system where all the global positions are posted. However, the human resource manager considers that the company should identify the key sources for recruitment according to the market it is operating in. For Lebanon, it is essential to partner with the key universities. Recruiting is done on campus or in different forums and then there is a standard system to make sure it is fair and accessible to everyone. An applicant has to pass through 3-4 interviews with 3-4 different managers. The process is time consuming which means that the process has to be efficient and the candidate is the right type AM1 is willing to attract. The candidate has to fill a questionnaire linked to success drivers. The candidate is then invited to a reasoning test which is standard. Once passed, the candidate is invited for a screening interview and then 3 to 4 interviews are conducted. A panel of those who interviewed the candidate vote for or against the recruitment of the candidate. The panel has to vote 100% for the candidate and not the majority decides. AM1 tries to insure 100% transparency in its recruitment process. In addition, vacancies are posted internally in case employees want to apply. The parent company doesn't interfere in the

recruitment process. They just set the global standards and measures. They work on the validity and the reliability of the reasoning test used and they set strategies for recruiting process but the execution is local for example identifying the key universities is done within the local team. From here, it is obvious that AM1 has standard methods to select the right candidate which is usually done by a series of interviews and tests followed by a vote. The tests are standard and it is the role of the parent company to control that the test is valid and reliable. However, the human resource manager of the Lebanese subsidiary confirmed that the recruitment methods and sources are adapted to local context. This issue will be covered in the next section.

c) Training and development

AM1 human resource manager in Lebanon considered that training programs are standard. Some training programs are conducted abroad, online or locally. The training budget is allocated from the regional office following a request sent from the subsidiary. The local training manager sends the training plan which includes the budget. Once the approval is taken, the budget is allocated. The human resource manager states: *“It is a two way communication between the subsidiary and the regional office”*. As for managers, all employees start at entry-level and then progress through acquiring skills and knowledge needed for the next level through training programs offered in the company. The employee promotion to the next level depends on other factors such as the results of the performance appraisal and the employee’s ability to go for a higher level.

d) Performance Appraisal

AM1 human resource manager explained that their process is standard across all AM1 subsidiaries. The technique used to evaluate the performance of employees is the 360 degree evaluation process where different feedbacks are collected for each candidate. Once the manager gets these feedbacks and summarizes them into a work plan; he then meets with the employee and set targets together. It is a kind of management by objectives. Each manager sits with his direct report and they agree on specific measures and on action plans. There is a calibration committee that meets and calibrates the rating of the employee on the compensation and benefits system.

e) Compensation and benefits

Some practices are tailored to the local market like for example the compensation and benefits system. AM1 is compliant to the local labor law. For benefits, schooling allowance might be

required by the law in Lebanon whereas it might not be required in Egypt. AM1 makes sure that its cost structure which includes the compensation and benefits, keeps it competitive because this structure will affect the pricing of brands and eventually the competitiveness in the market. When it comes to compensation and benefits, the MNC is obliged to benchmark because it has the same liabilities, it is exposed to the same market dynamics, it is operating under the same tax structure, liabilities and regulations and it is competing for the same talents. However, AM1 has a compensation umbrella with certain principles like for example it has to pay for performance which is a guiding principle across the globe yet some principles have to be tailored and flexible in order to make sure that the subsidiary remains competitive and compliant within the local market. There is a central team for every practice. For example within HR, there is a compensation and benefits CEEMEA team. In many other cases there are internal audit in different areas and on different periods to make sure that the subsidiary is fully compliant.

3. Standardization versus adaptation in AM1

AM1 human resource manager in Lebanon was firm about the code of conduct's possible adaptation. He considered that the code was not adapted to the Lebanese context. However, he didn't neglect the fact that if there is any conflict which arises between local and global practices, this should be highlighted to the parent company. He considered that the code was easily transferred without the need for any adaptation because there is system of "best practices and success models" shared between subsidiaries in addition to a strong and homogeneous organizational culture at AM1 which is a facilitator factor. The code and all other practices were conceived collectively at AM1 through an intensive team work to make sure that any initiative applied complies with the diversified community at AM1. From here, we could understand that AM1 tried to anticipate any problems related to codes of conduct by implicating diversified employees to work on the conception of codes through teams that represent this diversity. This respect for diversity is leveraged at AM1 through its organizational culture which respects all individuals while keeping all practices business efficient. From here, we can understand that adaptations are not possible at this American multinational and such possible adaptations were maybe done before even the application of such codes because of a system of collective thinking, best practices model or even an organizational culture built on the respect of diversity while maintaining its homogeneity.

AM1 has a contradicting point of view with regards to standardization and adaptation of practices. The human resource manager clearly states: "*It is part of the AM1 strategy to have*

some practices to be localized and others done on global basis. AMI people system is global. The recruitment system is the same in Lebanon and in the US. The recruiting process is standard, it is an online system". He then clarifies that in many markets, the company should identify the key sources for recruitment. He continues by explaining that Lebanon's specificity pushes companies to partner with key universities as sources for recruitment. Recruiting is done on campus or in different forums. However, he then clarifies that once candidates are recruited, they would be selected according to a standard system, discussed earlier, and that would assure fairness and accessibility to everyone. From here, it is clear that AMI uses standard selection procedures but adapted recruitment methods and sources which are the most effective in a given local context. Moreover, even if the regional office in Geneva interferes in setting strategies, ensuring validity and reliability of tests and setting global standards and measure, it doesn't interfere in the "execution" which done locally by a local team. The human resource manager used the word "execution" meaning the identification of sources which is in the case of Lebanon, universities.

AMI human resource manager in Lebanon was very firm when talking about the standard nature of training. However he states: *"Corporate trainings are standard yet any qualified trainer can establish a new training that he sees suitable for the needs of the organization [...] programs are standard yet sometimes the trainers put the local touch. The material is standard but the context or the core might be tailored because training depends on the audience, seniority, areas of interest, etc... Local initiatives are taken into consideration"*. From the speech of the human resource manager, we can understand that adaptation is possible although he stressed on its standard nature. Adaptation can take the form of new programs that could be initiated by the training managers or trainers in the subsidiary whenever they see that there is a real need for it, they are well qualified to provide it and it is not included in the standard training programs offered by the company. The human resource manager also talked about a very important issue which is "the local touch" of the trainer. Here, the material might be standard but the context might be adapted because it is subject to situational factors that affect the training process. The audience which is mostly of Lebanese nationality would have different interactions than other audiences in other AMI subsidiaries.

The trainer who is also Lebanese might use certain behaviour during the training program that would show his cultural affiliation. Furthermore, the human resource manager talked about two other situational factors which are the seniority of the audience and their areas of interest. Even if the material is standard, a qualified trainer might think of adapting, modifying or

highlighting certain aspects of the material that would match the profiles of the participants in the training program so that the training becomes more appealing, more beneficial or even more successful.

The human resource manager of AM1 confirmed that the performance appraisal applied in subsidiaries is a standard process. He considered that the criteria, the system and the guideline are standard. However, the rewards are different. He further explains that the outcome of the performance appraisal is different from one market to another but not the system itself. He states: *“In terms of rewards, it is different according to market. For example salaries in Lebanon are different than salaries in Egypt. No adaptation of performance appraisal but adaptation of bonuses and salary scales”*.

The compensation and benefits are fully adapted to the market. The benefits offered are a mixture of standard benefits provided by AM1 globally in addition to local benefits. The subsidiary adapts its compensation and benefits scheme to the Lebanese labour law but following a general guideline set by the parent company.

4.Headquarter- Subsidiary relation

a) Coordination mechanism

As for the coordination process, the human resource manager considers that AM1 has best business and people systems across the globe .It is more of a collaboration system which specifies the roles and the responsibilities of each member of the team , the delegation of authority and who can decide on what. AM1 has a global team that serves the entire globe in addition to local teams that work closely with the global team to make sure that offers are tailored to serve local markets. In many cases the local team proposes the strategy and in some cases local strategies are applied because a specific need should be tackled on a different basis. AM1 tries to balance global equity and focus on each market to make sure needs are satisfied.

As for communication channels, the HR manager assures that it is a two way communication, it is collaboration and every team member knows he is adding value for the team. AM1 assures many international assignments. The MNC makes sure that its employees get the chance to get all the opportunities and exposure needed to acquire in order to shine and grow in the company. An employee might be part of the local team and then might be a part of the

global team. The communication with the headquarter is daily. The Lebanese subsidiary is in a continuous communication with Geneva. Through a systematic business cycle, a scheduled meeting takes place on yearly basis. During this meeting several issues are discussed: the plans, the target volume, the pricing strategy, the promotions, and the initiatives. In addition, regular forums are organized whereby the Lebanese subsidiary team travels to Geneva or the Swiss team comes to Lebanon in order to align and set the right priorities for the next period. The Lebanese subsidiary is accountable to the headquarter in Switzerland which is accountable for the global headquarter in the USA.

One of the control mechanisms used is the organizational culture. The organizational survey is the biggest tool used to measure how healthy is the organization performing. It is conducted on yearly basis across the globe, by markets, by functions, by different demographics. The input of the survey is anonymous and comes from the employees on all the drivers and the pillars specified as the key healthy measures for AM1 culture.

Another control mechanism tool is the IT system which has a control side .It guides each employee how to operate. Through the AM1 intranet system, delegation and authorities are well defined. Many control points are present to ensure efficiency and compliance.

Another control tool is the code of conduct which is shared internationally. AM1 makes sure it is well absorbed and understood by employees across the globe. This is part of the development program at AM1, it is called the business conduct manual. On periodic basis, each employee has to go through it again to make sure that he / she refresh his/her memory. It is part of the on boarding of new hires at AM1 and it is an online system. AM1 has a training website that has all things that an employee might need. Once a new hire, he/she has to go to this link and there is a test at the end to make sure of the completion and it is done globally and on monthly basis. It is synchronized across the globe to make sure that all new hires all around the world have completed the training. It is monitored from the global team, the CEEMEA team and the local team to make sure that all the organization is compliant on the business conduct manual.

The table 37 below summarizes the findings about control and coordination at AM1:

Table 37: Control and coordination at AM1

Reporting to	Regional office in Switzerland
Information system	It is a control mechanism, guideline for employees, delegation ad authorities are defined, ensures efficiency and compliance
Reporting	Monthly, quarterly and yearly reporting
Conferences and visits	Yearly meeting, regular forums, regular visits from parent company and regional office to subsidiary and vice versa
Compliance officer	Team for every practice, internal audits to insure compliance
Main control tools	Strong organizational culture, code of conduct the information system

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

The Lebanese subsidiary is perceived unique with regard to the opportunities of the market it is implemented in. The human resource manager specified that although the subsidiary doesn't generate the highest revenues but it has constant growth in terms of profits and new market opportunities. He states: *“Actually, you have to find a way to get the focus and to make sure you are contributing to the company. Our market is the growth engine because we have lots of opportunities in our markets. For example in the US, they were having stable and large market shares, in such markets you can't grow as fast as you can grow in markets with lots of opportunities like ours, you didn't launch your full portfolio, you have many areas not yet covered, you don't have 100% distribution. You have many opportunities where the company can invest. Our market is one of the strongest markets across the globe in terms of high growth percentage. In terms of total revenue, it is not the biggest market but yet we are the growth engine”*. Another subsidiary uniqueness perceived by the human resource manager being a source of talents. He states: *“We are one of the biggest sourcing market for talents”*. He continues by explaining that since talents are the main assets at AM1, Lebanon was a suitable market to open a subsidiary. He states: *“When we decided to open in Lebanon, we knew that Lebanon has a very strong pool of talents and a good educational system which allows a high standard caliber of fresh graduates rather than going to a market and finding difficulty in sourcing AM1 talents. We have people and brands who serve the boss who is the consumer. We believe that if we lost our assets and our brands, the AM1 people can build it again in a decade. This is because we are “a promote from within culture” so people have a strong organizational culture so our people are our biggest assets”*.

c) Innovation and Trust

No innovation was yet been launched by the Lebanese subsidiary. However, subsidiaries are encouraged to innovate. The HR manager didn't give further details about the innovation subject since AM1 has recently opened a subsidiary in Lebanon. AM1 used to deal with local distributors. Furthermore, the Lebanese subsidiary is a small subsidiary compared to other subsidiaries in the region although its importance as a source of talents and future market opportunities.

d) Headquarter-subsidiary job rotation

The rotation between the headquarter and the subsidiary and among subsidiaries is an obligation at AM1. The human resource manager states: *“This is very clear in terms of HR, we have many international assignments, we are one of the biggest sourcing market for talents. Today you may be here and tomorrow you might be in Geneva and getting another one in Egypt, etc..You will get the chance to get all the opportunities and exposure that you need to acquire in order to shine and grow in the company. We collaborate, today you are part of the local team, tomorrow you might be a part of the global team. It is an exchange of roles and expertise”*.

AM1 is an American FMCG company with branches all over the world. It has a global code of conduct that is applied strictly. A test is done to ensure that employees have absorbed the code. The MNC has a global recruitment system called “people system” whereby tests and a series of interviews are used to select candidates. Training and development programs are global and conducted abroad, locally or online. Performance appraisal is standard and the 360 degree method is used. Compensation and benefits are tailored to the Lebanese law but under the umbrella of a global guideline. The parent company uses several tools to control the subsidiary including the code of conduct, the organizational culture, and the IT system. The subsidiary coordinates continuously with the parent company through different communication channels. The Lebanese subsidiary is perceived as a source of talents and offers marketing opportunities that are not yet snapped.

AM2

1. The company

AM2 is one of the largest and most diversified international insurance companies in the world: 20 million people in over 50 countries look to AM2 for their insurance and savings

needs. The history of successful growth spans nearly 90 years, and AM2 become a global business by treating our customers as individuals and serving them locally.

AM2 provides a broad and innovative range of insurance and savings products to individual customers, corporate clients and high net worth customers. Products to support every aspect of customers' lives, and provide comprehensive cover for the employee and commercial needs of business clients.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

AM2, another American MNC studied also used the expression "*It is a Bible*" to describe the code of conduct. It is the same across the globe and it is posted on the intranet of the company. Again, each new hire has to study the code, pass a test and sign on it. The employee becomes bound by the terms of the code upon signature and any deviation can terminate the employment contract. The HR manager at AM2 was very clear in explaining that this code covers ethics that should govern work of an AM2 employee and all employees should abide by it.

b) Recruitment and selection

The American multinational, AM2, has somehow a different perspective about recruitment. The human resource manager of the Lebanese subsidiary considered that there are no formal methods of recruitment but if any recruitment technique is to be used, it has to come from the home office and used across the region. The subsidiary should get the approval for the headcount and salaries proposed should meet the budget constraints. If it is not a senior position, the decision is taken locally. For senior positions, candidates should pass through a set of interviews. The human resource manager interviewed didn't give detailed explanation about the process but has made it clear that the process is somehow standard. As for selection, HR managers should be certified by DDI world to perform targeted selection. The HR manager also stated that AM2 performs a strict reference check especially for senior positions. It is done sometimes through networks of personal relations that could serve as a source of information about the candidate.

C) Training and development

AM2 human resource manager in Lebanon talked about different types of training programs offered by the company. There is the orientation program that new employees should follow for two weeks where they have to rotate in all departments so that they get acquainted with their work. As for other training programs, there is also a regional seminar held in the regional office once per year. It is a regional meeting during which employees from all territories meet together.

The regional office performs a technical review of the performance of the subsidiary and gives recommendations accordingly. There is also the home office training which is a formal program targeting the agency people. It is constituted of modules on several years. There are also managerial training programs provided by the regional office and attended by selected participants from all territories. All the programs mentioned above are standard and are developed by the parent company.

d) Performance appraisal

AM2 human resource manager was very concise when explaining about performance appraisal. She confirmed that the performance appraisal is standardized. It is linked to rewards and that the criteria used to evaluate performance differ from one department to another. The HR manager said that sales people are evaluated differently than accountants for example. The performance appraisal methods used vary between the 360 degree and the rating method.

e) Compensation and benefits

Benefits are standardized at the regional level. Bonuses are also standardized. As for salaries, it is linked to the market practice and the cost of living. The benefits are set to respect the labour law. The subsidiary can never go below the labour law but it can provide better. Some benefits are imported. For example, there is the pension scheme for employees which are not stipulated in the labour law but which is provided across the region.

3. Standardization versus adaptation

For AM2 no formal adaptation possible for the code but a possible informal one through the living of Lebanese values at work. For the human resource manager of AM2, some issues are very stressed in the code because the American culture gives more importance on these issues. Sexual harassment might be a perfect example. Sexual harassment is a big issue in the United

States but it is not in Lebanon. Color discrimination is an “American” issue but it is not a Lebanese one since there are no different colors in Lebanon but there are other forms of discriminations. The employees at AM2 should sign the code although they might have different conceptions about some issues mentioned in the code. An important issue raised by the human resource manager at AM2 Lebanon is that of banning political discussions at work. The human resource manager stressed that she is very strict when it comes to political events discussions at work. She considered that besides creating conflicts between employees, it could affect AM2’s image if the company is accused to be supporting a certain political party. This issue is not mentioned in the code nor there was any attempt to add such clause to the code but in the daily implementation of the code, the HR manager took the initiative of sending memos to employees whenever there is a political tension in the country banning any political discussions at work because such discussions might create conflicts between employees which might affect their productivity and their ability to work in teams.

The human resource manager of AM2 when asked about adaptations of the recruitment and selection process answered firmly that no adaptations were done. However, she explained further that until now, there are no formal methods of recruitment but if there will be in the future, these methods would come for the home office and would be used across the region. The decision is taken locally while respecting the headcount initiated by the parent company. AM2 has also emphasized on the standard nature of their training programs. However, they have also local training programs developed based on local needs. The human resource manager states: *“For example, some people must be trained on taxes. The Lebanese accounting managers have to follow training about taxation. There are taxes in Lebanon but there are no taxes in the Gulf. The differentiation between the countries would impose different kinds of training”*. We notice here that sometimes local specificities impose a certain content modification. It would not be useful for accountants in the Gulf to learn about taxes in tax-free countries. The training program would lose its value if it doesn’t respond to organizational needs. The human resource manager explains further that for such kind of local training programs, the subsidiary could ask for the services of training agencies. In-house and external trainings are conducted. The choice of the method depends on the need. Once more, although a affirmative and strict statement at the beginning of the interview when asked about standardization and adaptation issues, there is a kind of local need recognition and therefore a will for the development of local programs that would have an adapted content and delivery method. The human resource manager explained further that although there are standard courses about sales, selling techniques are customized to the local market. These adaptations

are very slight and the content remains highly standardized. AM2 has a standard performance appraisal system applied as it is transferred from the parent company. Compensation (salaries) is adapted to the local cost of living. However, for benefits, there are benefits that are provided by AM2 following the Lebanese labour law in addition to imported benefits which are standardized across the region. The human resource manager of AM2 considered that giving pension plans and schooling in the Lebanese subsidiary is necessary because of the high costs of schooling in Lebanon and the unreliability of the national social security system in Lebanon. The multinational company here is trying to fill a gap in the local country system by providing its own pension scheme that would give a feeling of security to employees.

4. Headquarter- Subsidiary relation

a) Coordination mechanism

Subsidiaries coordinate across the region. There are guidelines and a general framework that should be respected. However, the subsidiary can move freely inside the framework. There is one culture but differentiated markets. The subsidiary communicates with the regional office through all sources of communication, conference calls, e-mails and telephones.

There is a close relation that links the subsidiary to the regional office. They are easily accessible. Control is done through monthly reports and quarterly reports. The regional office must always be provided with necessary information and any project should be signed by the regional office which gives authorization and the results should be sent later. There are also annual reviews. Every department has its own performance appraisal system. For the HR department, it is not in terms of volume of business, but in terms of projects to be executed.

The table below summarizes the control and coordination mechanisms at AM2:

Table 38: Control and coordination at AM2

Reporting to	Regional office in Dubai
Information system	Intranet directly linked to the head office
Reporting	Monthly and quarterly
Conferences and visits	Yearly meeting, regular forums, regular visits from parent company and regional office to subsidiary and vice versa
Compliance officer	Compliance officer responsible for the transfer process (code of conduct, culture, HR practices)
Main control tools	Reporting, code of conduct

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

The human resource manager preferred not to talk about the uniqueness of the subsidiary but rather about the uniqueness of the organizational culture of AM2 which is very strong. She states: *“The core of your business, the core of your people, they are committed. The culture is unique. The culture of this company makes you unhappy elsewhere, if you leave this company, you cannot get along with other cultures, and this was measured throughout people, you have people leaving and coming back”*.

c) Innovation and trust

Innovation is encouraged at AM2. Projects are sometimes initiated by the subsidiary and accepted by the parent company with the regional office as a facilitator between both parties. The human resource manager states: *“Yes, projects, regional projects. The local team worked on a strategy that is innovative, sponsored by the home office through the regional office”*.

d) Job rotation headquarter-subsidiary

The human resource manager at AM2 stressed that it is possible to rotate within the multinational company. She states: *“Absolutely, it is a multinational, you can move horizontally, vertically, inside Lebanon, outside Lebanon. I can move to Jordan for the same position. I can move to Dubai for a senior regional position. I can move to the home office. We have people who have moved from the regional office to the home office”*.

AM2 is one of the largest American insurance companies in the world. The code of conduct is highly respected, should be signed and employees' understanding of the code should be tested. The living of the code differs sometimes from its actual content. The recruitment process is not formal in AM2. However, the selection process is standard. Training programs are varied, standard and set by the regional office with some programs developed locally due to local specificities. Performance appraisal is standard but methods vary across departments. Salaries are adapted to the local market with standardized regional benefits. The regional office controls the subsidiary through reporting and coordinates through different communication channels. According to the HR manager, the subsidiary is not unique. What is unique is the organizational culture of the MNC. The subsidiary is encouraged to innovate through new proposals presented to the regional office.

AM3

1. The company

AM3 is a diversified medical device company. It develops and markets products and therapies in the areas of cardiac rhythm management; neurological disorders; chronic pain and spinal disorders; diabetes; urologic and digestive system disorders; and eye, ear, nose and throat disorders. AM3 serves physicians, clinicians and patients in more than 120 countries. The company has research, manufacturing, education and sales facilities around the world.

AM3 operates through seven business divisions: cardiac rhythm disease management (CRDM), spinal, cardiovascular, neuro modulation, diabetes, surgical technologies and physio-control.

The CRDM division supplies medical devices for cardiac rhythm disease management. Its products are designed to treat and monitor a range of heart conditions, including bradycardia, tachyarrhythmia and heart failure. These products include pacemakers to treat patients with bradycardia; implantable defibrillators to help patients with tachyarrhythmia; and diagnostic and monitoring innovations that diagnose heart-related syncope.

The spinal division offers products that treat a variety of disorders of the cranium and spine. It offers products for treatment of the conditions, such as herniated disc, degenerated disc, spinal deformity, spinal tumors, fracture and stenosis. These products include rods, pedicle screws, hooks, plates, and interbody devices, such as cages, as well as biologics, which include bone growth substitutes, dowels and wedges.

Its cardiovascular division develops and markets a line of heart valve products for replacement and repair, plus auto-transfusion equipment and disposable devices for handling and monitoring blood during major surgery, as well as cardiac ablation devices to treat a variety of heart conditions. The division also offers products and therapies that treat a wide range of vascular diseases and conditions, including coronary, peripheral and neurovascular stents, stent graft systems, and distal protection systems.

The neuromodulation division provides therapies for chronic pain, movement disorders, spasticity, overactive bladder and urinary retention, benign prostatic hyperplasia, and gastroparesis. The products used to treat these conditions include implantable drug delivery systems (pain management) and deep brain stimulation systems (movement disorders).

AM3's diabetes division develops manufactures and markets devices for the treatment of diabetes. This includes external insulin pumps and related disposables, continuous glucose monitoring systems, a subcutaneous glucose sensor and an implantable insulin pump. Its family of MiniMed Paradigm insulin pumps provides insulin pump therapy.

The surgical technologies division develops and manufactures minimally invasive products and techniques that treat a range of ear, nose and throat conditions. The division markets powered tissue-removal systems and other micro-endoscopy instruments, nerve monitoring systems, and disposable fluid control products. It also provides operating room equipment designed for neuro and spinal surgeons for their use in image-guided surgery and navigation. The company's physio-control division develops, manufactures and markets external defibrillators, including automated external defibrillators (AEDs) and manual defibrillators used by hospitals and emergency response personnel. In addition to the portfolio of external defibrillation and emergency response systems, AM3 offers related data management solutions and support services.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

AM3, the third American multinational studied, considers the code of conduct as untouchable. The human resource manager of the Lebanese subsidiary started her speech about the code by explaining that the *"the code of conduct is like a Bible"*. Similar to AM1, when an employee is hired, he/she should be trained on the content of the code and then has to certify that he/she acknowledges its content. As part of the code of conduct, there is the business conduct standard (BCS) which is a manual that organizes the relation with customers which is a key success factor for AM3. This manual should be also absorbed by all employees. There is a hotline directly linked to the USA whereby employees can complain directly to the parent company. The parent company controls the organizational culture and makes sure that all employees are well integrated through a global employees survey conducted every two years. Each employee fills that survey which contains questions related to the culture, the ethics, work environment, and the work-life balance.

b) Recruitment and selection

For AM3, each subsidiary has its own practices. In terms of employee on boarding, and employee orientation, the subsidiary is working on a task force to have a global on-boarding system because it was lacking at AM3. There are mainly three sources for recruitment. Being in constant contact with distributors is a great advantage for AM3. The main source of recruitment is people who have been working at distributors. Those know about the products and they are directly ready to work for AM3. They are trained originally by AM3, and they are working in the field. Many of the employees were hired through this method. Another

source is through word of mouth. People recommended to the subsidiary by other employees or contacts, and the third source is newspaper advertising as well as contacts with major universities like AUB and LAU. It should be noted that employees are rewarded between 500 and 1000 USD if they refer a qualified candidate. The parent company doesn't interfere unless there is a hire freeze whereby they inform the subsidiary that no one could be hired for the time being. The HR manager along with the hiring manager and other business managers conduct interviews. Concerning tools used, there are behavioural interviews and targeted selection tools that are sent by AM3 International to support the subsidiary but they are not imposed. It is the decision of the subsidiary to use or not to use these tools.

c) Training and development

Training programs are set globally at AM3. They are usually technical training programs in addition to certification programs offered because of the sensitivity of products sold. AM3 human resource manager states: *"we sell high-tech medical devices that are life-saving and therefore mistakes are not allowed, that's why our training programs are standard and technical in nature"*. Employees participate in training programs in the USA or Switzerland depending on the location of their business unit. AM3 has a catalogue of training courses that is updated on yearly basis. Most of the times, training programs are held in the regional office and the cost effectiveness of sending someone to Switzerland is checked before any approval is given.

d) Performance appraisal

At AM3, performance appraisal is more or less standard. Sales people have an incentive plan which is quantitative. At 100% achievement of target, an employee gets 100% of his incentives. If he over achieves, he can double his incentive. If he under-achieves, he gets zero. As for the merit increase, it's related to performance management. Depending on the rating, which is between 1 and 5, an employee gets a merit increase accordingly with the budget. It is decided in the parent company but based on figures provided by the subsidiary.

e) Compensation and benefits

There is a rewards and benefits website for the company. However, compensations and benefits are not standard. They are market-based related to multinationals in Lebanon and following the Lebanese law. For instance the law says that transportation cost is 8000 LL/ per day (around 5 dollars). The subsidiary pays a minimum of 400\$/ per month. So the lowest

level employee gets 400\$/month for transportation .There is a meal allowance of 10 \$/ per day for people in Lebanon. Those who travel on business trip of course can claim the extra cost through an expense report. There is gym allowance worth 600\$ per year (this is American). This is to encourage employees to do sports, because AM3 cares about their well being. The company also offers medical insurance, 100% paid by the company, first class. In addition to life insurance equivalent to three times the annual salary. The breakthrough that the company introduced two years ago is a pension plan.

3. Standardization versus adaptation

For AM3, the codes of conduct were conceived according to regions. There is a code for the international- west (Europe, Middle East, Canada and Latin America) and a code for the international-east (Asia-pacific). The human resource manager at AM3 Lebanon confirmed that the two codes are different without giving further clarifications. However, it should be noted that the two regions mentioned earlier differ a lot in terms of economic development, political systems and cultural contexts. This heterogeneity between the countries of one region makes it difficult to have a well-adapted code of conduct that could be consistent with the specificities of each culture. On the other hand, AM3 Human resource manager didn't neglect the fact that some issues found in the code of conduct are not of importance in the Lebanese context like for example the sexual harassment. Employees joke a lot and most of their jokes are of sexual nature which according to American standards could be considered as sexual harassment. However, no attempt was done to change or adapt any clause in the code to adapt to the Lebanese context. However, the HR manager mentioned a local adaptation done following a local decision but was not written "on papers" as she explains. It is about the employment of relatives. She explained that AM3 took this decision as a preventive measure for possible problems related to employment of relatives. A sort of adaptation in the informal implementation of the code or more precisely the "living of the code" was done. When a formal adaptation is not possible, and no one dares to touch the code which is "a Bible" for many multinationals, subsidiaries like AM3 might find a way to live the code "their way" without really breaching its content.

AM3 have surprisingly adapted fully their recruitment and selection procedures. However, the human resource manager has explained that AM3 is working towards a standard guideline for recruitment and selection. The human resource manager states: *"Each subsidiary has its own practices. In terms of employee on boarding, and employee orientation the subsidiary is working on a task force to have a global on-boarding system because it was lacking at AM3.*

When an employee steps in, he doesn't really know where he stands, and he's not oriented the way an AM3 employee should be oriented. So now, during this fiscal year a global system will be initiated, with global on-boarding practices with a website". The role of the parent company is limited to informing the subsidiary of a "freezing policy of recruitment" during a certain period. AM3 also relies on partnership with universities but also has its own sources which are also specific to the Lebanese context. AM3 Lebanon operates through distributors who know both well the company products and the Lebanese market and could be potential employees at the company. It is probable that another subsidiary of AM3 in another country won't use this source to find candidates because of a different way of conducting business or even different networks.

For AM3, adaptation of training was not possible. In the case of this multinational, the nature of products sold has dictated certain strictness in training salesmen/medical representatives about the technical aspects of these devices. "There is no place for mistakes, our products are life-saving" was the expression used by the human resource manager to explain to us clearly why training is standard across the world. She has meant to say indirectly that local adaptations are not permitted because they might lead to mistakes in usage of these devices which have an ethical and human dimension. However, the human resource manager talked about a certain informal training provided to subordinates by their direct supervisors. The human resource manager mentioned that AM3Lebanon has tried local programs about soft skills through local training agencies but the results of these trainings were not impressive. AM3 is working on an individual needs assessment scheme to match individual needs with standard courses given by AM3University (classroom, online). No adaptations whatsoever are possible to these preset training programs.

The human resource managers confirmed the standard nature of the performance appraisal system at AM3. No adaptations are possible.

As for compensation and benefits, they are adapted to Lebanon. The multinational company adapts its compensation level to the market in Lebanon and benchmarks other multinational companies. However, the AM3 human resource manager talked about a benefit specifically given to Lebanon which is the gym allowance. AM3 across the world has gyms within their premises as part of AM3's culture of maintaining work-life balance of employees. Since in Lebanon there are no gym facilities in the premises, AM3 provides an allowance so that employees could join private gyms.

4. Headquarter-subsiary relation

a) Coordination mechanisms

The Vice President at the Lebanese subsidiary who is also VP for the Middle East and Africa has a big margin of freedom of action at both the strategic and the operational levels. It's much decentralized. Last May, the company went into huge reorganization whereby it divided the whole AM3 world into US and International. Before that International was divided into Asia/Pacific, Europe/Middle-East and Africa. Now there is one International in addition to the US. There are one chairman or president for the US and a president for the International. The VP in Lebanon now reports to the president of International. Seven regions report to that president of International. Each region is very independent. However, lots of things are still centralized in AM3, like marketing for instance marketing tools are sent from the parent company. They are just customized, and sent to distributors. The HR manager coordinates frequently with a colleague in Switzerland and another in the USA. Each communicates at his own level, mainly through emails, conference calls, Web X (virtual meeting software). Emails are sent on a daily basis, 24/7. All employees have GPRS phones or blackberries so that to be reachable at any time. The Lebanese subsidiary is operating in a region where an employee can't turn his/her phone off during the weekend simply because the weekend in Lebanon is on Saturdays and Sundays while for the rest of the region it's on Thursdays and Fridays which means everyone should always be available. Lebanon is the regional for Middle East, Gulf region and Africa. The only subsidiary in this region is in Lebanon. The parent company controls the subsidiary mainly through reporting. Reporting is required on a monthly basis, quarterly and at the closing of the fiscal year. As for the HR department, it is controlled through a global performance evaluation system, PeopleSoft. It is launched on a yearly basis, in March. The parent company makes sure that the organizational culture is really strong and everyone is integrated or respects this culture through a global employees' survey done every two years. Each employee fills in that survey and it has parts about the culture, the ethics, the work environment, about work-life balance.

The table below summarizes the control and coordination mechanisms at AM3:

Table 39: Control and coordination at AM3

Reporting to	Parent company in USA
Information system	Intranet directly linked to the head office
Reporting	Monthly, quarterly and end of year reporting as a control tool
Conferences and visits	Yearly meeting, regular forums, regular visits from parent company to subsidiary and vice versa
Compliance officer	Compliance officer (legal department) responsible for the transfer process (code of conduct, culture, HR practices)
Main control tools	Reporting, code of conduct

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

The perceived uniqueness of the Lebanese subsidiary according to the human resource manager is the distribution management system the subsidiary has developed. She states: *“Distributors’ management I would say. This is mainly our field of expertise. We’ve been doing this for the past 15 years, handling distributors”*. In addition, Lebanon is important for the multinational company not in terms of revenues (1% of the total revenues) but because it is the regional office. The human resource manager explains: *“Lebanon is the regional office for the Middle East and Africa. Our main activities are sales and marketing support to our distributors. We act as an intermediary, as a liaison office between the distributors and the distribution centers located in Europe”*.

c) Innovation and trust

The main innovation done by the Lebanese subsidiary is the “Employee handbook”. However, the human resource manager considers that she was not supported enough to implement this handbook. She explains: *“Last year I worked on an Employee Handbook, but unfortunately it’s been sitting on my boss’ desk for the past several months. It was the final draft, it include all the policies. So whenever an employee is newly employed you just give him the handbook. It is our innovation as part of a bigger project which is the Standard Operating Procedure. But due to time constraints it was a put aside for the moment”*.

d) Job rotation headquarter-subsidiary

The rotation between the subsidiary and the headquarter is rare at AM3. However, the Lebanese subsidiary has been considered for long time a source of talents. The human

resource manager explains: *“In rare cases but they do exist. We are considered as an exporter of talents, this office sent so many people abroad. To Switzerland, to the US, etc...”*.

AM3 is an American MNC that sells medical devices with subsidiaries all over the world. The code of conduct is “untouchable”, signed and trained upon with hotlines connected to the parent company. The living of the code might not be consistent with its content. Each subsidiary has its own recruitment process. The Lebanese subsidiary uses different recruitment sources and methods with low interference from the parent company. Training programs are standard and global due to the complexity of the devices sold. The performance appraisal method used is the rating method and is standard. Compensation follows the Lebanese market while the benefits are a mixture of standard benefits and locally developed benefits (e.g. pension plan). The parent company controls the subsidiary through reporting. The subsidiary is very decentralized with centralized marketing strategies and tools. The importance of the Lebanese subsidiary is being a regional office itself.

AM4

1. The company

AM4 International (AM4) is a global firm that provides a range of services, such as accounting and auditing, tax advisory, tax reporting and operations, technology and security risk, human capital, business risk, and transaction advisory services. AM4 also provides legal services in some countries.

Globally, AM4 focuses on the 13 major industry groups: asset management, automotive, banking and capital markets, biotechnology, consumer products, insurance, media and entertainment, oil and gas, pharmaceuticals, real estate (includes construction, hospitality and leisure), technology, telecommunications and utilities.

AM4's service lines primarily consist of assurance and advisory business services, taxation, and transaction advisory services.

The company's assurance and advisory business services encompass three services: assurance, which includes independent audit of company's financial statements and other attestation services; risk advisory services, which include advisory services for risk management; and finance and performance management services, which provides advisory services on finance function strategy, organization design and development, and operational effectiveness.

Taxation covers personal, corporate and indirect tax and consulting services. The division's services include tax compliance assistance and review, tax compliance outsourcing, tax advisory services, and tax department performance improvement.

Transaction advisory services encompass services in relation to mergers and acquisitions, divestitures, strategic finance, corporate restructuring, business modelling, working capital management, and valuation.

In addition to these services, AM4 also offers assistance in protecting clients' IT assets from viruses, attacks, and internal security threats, as well as providing assistance with capital markets advice, tax-effective supply chain planning, compensation design, M&A planning and post-merger integration services, and legal advisory services.

2. Human resource practices at the Lebanese subsidiary

a) Code of conduct

AM4, the fourth American multinational studied, puts the code as part of an induction package for new hires along with two other manuals called the secrecy and the independence. The code is the same internationally. All employees should sign on it and should understand thoroughly all its content. The code is highly respected and the parent company makes sure that all employees including old employees have absorbed its content through periodic surveys done every two years.

b) Recruitment and selection

For AM4, The main recruitment sources are mainly 2 or 3 top universities in Lebanon where graduates with high GPAs are selected. The human resource manager receives CVs, screens them, then CVs with majors and universities needed are collected. Candidates are then invited to meet the human resource manager during which he discusses with them their views and then they are called for an interview. The CV should match a list of competencies set by the company that the candidate should have. For fresh graduates, they will not have all of them but at least to a certain extent. Their team skills, leadership skills, conflict handling are checked through a set of questions. A clear path is given to recruits from day 1 till year 13. Candidates should pass accounting, auditing, English and Arabic tests. The psychometric test which is required by the company is not done at the Lebanese subsidiary since there are no local experts to perform such tests as the HR manager explains. The regional office in Bahrain doesn't interfere but ask the subsidiary for assessments of these tests. There are recruitment

champions in the head office who monitor the recruitment process and the subsidiary must update them with what is being done. The headquarter should approve recruitment plans. They control the process not the details. Concerning selection of managers, there is a career path called graduate development program whereby recruits should pass by a series of trainings and the recruit is promoted to become finally a manager.

c) Training and development

As for AM4, training is delivered through a web-based learning system. Any employee can go through his website, enters his/her service line and three years of experience and the system automatically generates the training track. There is a training track for each and every employee. Courses are sometimes held in classrooms in the subsidiary, the regional office or the head office. Each employee should take core courses and specialized courses found in a booklet conceived by the knowledge resource center in the regional office which serves as a liaison between the subsidiary and the head office. A training executive from the regional office works with the human resource manager in the subsidiary, considered as a training partner, to do a training “map” for each employee. The human resource manager states: *“I have to check for each employee what core courses he took and what specialized courses he followed in line with the service line he works in. If he is in the audit tax department, he should not take the Banking I course for example”*. According to the human resource manager, the training is standard everywhere and there are obligations that each employee should have completed 20 hours of CPE (continuing professional education) per year. As for management development programs, there are four levels of management. Managers have to follow courses about developing management skills to be upgraded from one managerial level to another. Methods used are classroom training, on the job training, web-based training and self-study. These programs are conducted in Europe and controlled by the head office. The budget is approved jointly by the subsidiary and the regional office.

d) Performance appraisal

For AM4 employees work by hours and the performance appraisal system (PAS) is linked to the number of hours worked. Whenever an employee works more than 40 hours with a client, he fills an assessment form and submits to the in charge that fills it back and scores it. Each employee has a counsellor. Appraisals are summarized. They are standard and found on the system. The method used is a multi-source feedback, a kind of 360 degree feedback whereby the client has to fill a survey. The subsidiary’s performance appraisal forms are monitored

closely through the intranet and the HR manager is responsible for making sure that forms are filled according to the norms set by the parent company.

e) Compensation and benefits

Salary ranges according to education and grade. The efforts and performance are reflected in the bonuses. Market surveys are done to decide upon salary levels. The benefits are locally determined because there are no expatriates. Benefits include schooling allowances and medical coverage. The head office suggests benefits but they don't impose. The subsidiary should abide by the Lebanese labour law. For bonuses, it has 2 factors: individual performance and the office performance (the profits are distributed among employees). The subsidiary supports study and education of employees.

3. Standardization versus adaptation

The most clear-cut about the possibility of adaptation was the fourth American multinational studied, AM4. The human resource manager of the Lebanese subsidiary was specific that the code is a unique template shared internationally, the employees should sign it and no adaptations are possible. When asked about issues that might not be acceptable in Lebanon, the human resource manager was clear once more about the fact that this is an instrument that could not be discussed nor changed nor adapted. This firm answer is most probably related, besides the "American" nationality of the multinational, to the sector in which AM4 operates which is the auditing sector. The necessity to have consistency of practices, secrecy and ethical conduct might explain why codes of conduct are universal instruments at AM4 which considers that ethical conduct and integrity are global values accepted everywhere. However, the HR manager, although her strict speech didn't forget to say that maybe the "living" of the code is sometimes different. She says: "*We are friendlier here in applying the code*".

As for recruitment and selection, there is no way for adapting. However, when asked further about the sources and the methods used, the human resource manager mentioned that the main source of recruitment is two or three top universities in Lebanon which is a kind of adaptation to the local context. Another adaptation mentioned but indirectly by the HRM was the administration of an Arabic test besides English, accounting and auditing. This is another adaptation to the local context. Arabic is required since employees might have to deal with the government, companies in the Gulf region or even companies in Lebanon having their accounting transactions done in Arabic.

For AM4, no adaptations of the standard programs are possible according to the human resource manager of the Lebanese subsidiary. Once more, the case of AM4 is very similar to AM3 where the nature of business has made it impossible to adapt training programs. AM4 provides auditing and accounting services to companies. For several jobs, a certification is necessary such as the CPA (certified public accountant) certification. The job has also an ethical dimension which favours the standard nature of programs which allow more standardized values, skills and competencies needed by the company. However, the human resource manager talked about training programs specifically conceived for Lebanon which are essential for auditors and accountants to perform their job in Lebanon. These training programs are related to taxation systems in Lebanon and the central bank regulations.

No adaptation is possible for the performance appraisal system at AM4. The performance appraisals of employees are directly accessed by the parent company. In case of any weaknesses in the preparation of performance appraisals, the parent company gives directions to the human resource manager to address the problem. The human resource manager at AM4 talked about the performance appraisal of the subsidiary by the parent company using scorecards: *“The regional office has a scorecard for each office, they have the activities and they monitor it if the subsidiary is doing work properly and on time”*.

As for compensation and benefits, salaries are adapted to the local market. As for benefits, they are decided locally.

4. Headquarter-Subsidiary relation

a) Control and coordination

Each unit works separately. However, in some aspects units are linked, like the learning and development, it is implemented from the head office. The policy is set by the head office but the subsidiary decides upon the operations. These are run by the head office.

The HR partner in the Middle East office sets rules, policies and regulations to follow. These are implemented by the AM4 global. Lebanon is part of the Middle East office and the Middle East office is part of the EMEIA (Europe Middle East India Asia) and EMEIA is part of AM4 global. Coordination is done through a monthly conference using video conferencing. The chairperson initiates ideas and topics and at the end best practices are adopted in other offices and ideas are exchanged. Communication is continuous at AM4. The headquarter is updated through e-mails, and conference calls.

The main control mechanism is through reporting. There are also people surveys done once every two years. They hire people to do these surveys. For the new joiners, this is done every

year. Every year there are around 500 fresh graduates employees who join the company. The headquarter controls the performance of the subsidiary through yearly quality review for each service line. There is an HR quality review and an audit quality review. They select people or leaders from different service lines in the world, they form teams of partners, managers, IT support and they work on quality review.

The table below summarizes the control and coordination mechanisms atAM4:

Table 40: Control and coordination at AM4

Reporting to	Parent company in USA, regional office in Bahrain
Information system	Intranet directly linked to the head office
Reporting	Monthly, quarterly and end of year reporting as a control tool
Conferences and visits	Monthly conference through video (ideas exchanges, best practices)
Compliance officer	HR partner in the Middle East controls rules, policies and regulations to follow
Main control tools	Reporting

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

According to the human resource manager, the subsidiary has no unique characteristics. What is unique is “*our culture*” as she explains. Besides, the Lebanese subsidiary was implemented in1948 giving the subsidiary an advantage over other subsidiaries in the region which are more recent.

c) Innovation and trust

The Lebanese subsidiary initiated a project called “the career development program” whereby university students can have internships in the company during the summer. This innovation will be implemented in other subsidiaries through a “best practices system”. The human resource manager explains: “*Yes. We have the career development program for students’ internships during the summer. It wasn’t done abroad and now they are trying to implement it. We do a summary of our activities. We discuss it in workshops abroad on round tables*”.

d) Job rotation headquarter-subsidiary

The human resource manager explained that there are mobility programs for senior managers to develop managerial skills. International assignments are part of development programs offered to managers. She states: “*We have mobility programs but we don’t have expatriates in Lebanon. There is a development center where managers have to follow to be upgraded from one level to another*”.

AM4 is an American MNC that provides accounting and auditing services. The code of conduct is highly respected, standard and its understanding is tested through periodic employees surveys. The recruitment sources are varied but the selection process is standard and is closely monitored by the head office. Training programs are varied, methods include on-the-job, web-based and self-study and the content is standard. Performance appraisal is done using the 360 degree method, it is standard and it is closely monitored by the parent company. Compensation and benefits are determined locally and follow the Lebanese labor law. The parent company controls the subsidiary through reporting. The subsidiary coordinates with the parent company through different communication channels. The subsidiary has no perceived uniqueness according to the HR manager. The organizational culture is what makes the MNC unique.

FR1

1. The company

FR1 is a France-based global cosmetics company, engaged in the production and marketing of a range of perfume, make-up, hair and skin care products. The company operates in over 130 countries. It markets 25 global brands through three business divisions: cosmetics (comprising of its skincare, haircare, make-up, hair colorants, perfumes and other products), *The Body Shop (it has become a part of FR1 after its acquisition in March 2006) and dermatology (comprising drugs for acne treatment and others). The company’s products are sold under well-known brands such as FR1 Paris, Garnier, Maybelline, SoftSheen Carson, CCB Paris, FR1 Professional, Kerastase, Redken, Matrix, Mizani, Lancome, Biotherm, Helena Rubinstein, Kiehl's, Shu Uemura, and Giorgio Armani.

In addition, the company has a financial stake in FR2, a pharmaceutical company specializing in therapeutic segments such as cardiovascular, thrombosis, central nervous system, oncology, metabolic disorders, internal medicine and vaccines.

FR1 operates through three business divisions: cosmetics, the Body Shop, and dermatology.

The cosmetics division of FR1 functions through four operating segments: professional products, consumer products, luxury products and active cosmetics. The cosmetics division comprises skincare, hair care products, make-up, hair colorants, perfumes, and other products. The professional products segment markets hair care products to professional hairdressers, who use or sell these products in their hair salons. The segment's key focus is to service the greatest number of hair salons around the world, firstly, by offering differentiated brands for different individuals and secondly, by increasingly targeted innovations to improve the quality of services in hair colorants, permanent waves, styling and haircare. The professional products division of the company comprises four brands: FR1 Professional, Kerastase, Redken, Matrix and Mizani.

The consumer products segment sells products through mass-market retailing channels. The consumer products range includes hair care, skin care and make-up; and perfume products. FR1's core brand, FR1 Paris, has successfully tailored its affordable product range to become the foremost beauty brand worldwide. The company also focuses on differentiating and enhancing the value of the segment's product ranges through innovation, while developing blockbuster products to drive market growth. Leading brands in this segment include FR1 Paris, Garnier, Maybelline New York, Softsheen-Carson, Club des Createurs de Beaute and Yue-Sai. The luxury products segment markets premium products and services to consumers. Luxury products are sold through select retail outlets. The luxury products segment's rich portfolio of complementary brands meets a diverse range of demands, in terms of products and services, within the framework of a global strategy based on innovation and added value, as well as enhanced high-end technological advances from the segment's innovations in skincare and make-up. Leading brands in this segment include Lancome, Helena Rubinstein, Biotherm, Shu Uemura, and Kiehl's. The luxury products segment also includes perfume brands: Giorgio Armani, Ralph Lauren, Cacharel, and Viktor & Rolf.

The active cosmetics segment sells dermo-cosmetic skin care products through pharmacies and specialist retailers. Pharmacists and dermatologists also offer advice on using the company's products at the point of sale. The brands in this segment include: Vichy, La Roche-Posay, Inneov and Skinceuticals.

FR1 took over The Body Shop International in March 2006. The Body Shop operates a chain of cosmetics stores specializing in skin and hair care products made from natural ingredients. The Body Shop sells over 1,200 health and beauty products, across 57 countries. Its traditional emphasis has been on shampoos, bath products, soaps, skin creams and conditioners made from natural ingredients. The company also sells beauty and personal care

accessories including exfoliating bath gloves, mitts, body buffers, foot files, and muscle toning, relaxing and invigorating massagers. In addition, it also markets men's toiletry ranges, perfumes and seasonal products. None of the company's products are tested on animals, and many of the company's stores offer recycling facilities.

The dermatology division includes dermatological and pharmaceutical activities of the company.

Galderma Laboratories (dermatological company), a joint venture with CH1, specializes in skin diseases such as rosacea, psoriasis, eczema, and skin infections such as acne. Galderma boasts three of the top twenty five best selling drugs in dermatology in a highly competitive specialty market.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

As for FR1, a French multinational, the code of conduct is also shared internationally. Each new recruit should sign on a form stating that he/she has well read it and understood it. The HR manager of FR1 in Lebanon has stressed on the strong organizational culture of FR1. He considered that there is a motto in FR1: “*3 months, 3 years or 30 years*” which means that employees could either fit in the organization and stay for 30 years or they could leave after the probation period. The culture according to the HR manager is very strong in all subsidiaries, it is dominant and it is mainly felt in subsidiaries.

b) Recruitment and Selection

As for FR1, there are specific guidelines for recruitment. The subsidiary has a certain degree of manoeuvre as to follow fully or partially the guidelines. The main sources of recruitment are universities and job fairs. FR1 deals mainly with 3 to 4 universities in Lebanon with which it has built a partnership. The universities are mainly the American University of Beirut, Lebanese American University, Notre Dame University and l'Université Saint-Joseph. These relations are governed by what is called at FR1 “The campus management system”. The Lebanese subsidiary has also the online recruitment system .FR1 uses also head-hunters and recruitment agencies for certain positions or certain profiles. The parent company doesn't interfere in the process but has to give an authorization for recruitment. It depends on head count. The subsidiary shouldn't exceed the head count set by the parent company unless it has a very valid argument.

c) Training and development

FR1, the French multinational has its own training center in Dubai which is also the regional office of the Middle East. Programs are conceived and developed by the regional office. Some training programs are offered in Paris where FR1 has partnered with the ISEAD. There is also a mobility program whereby managers in subsidiaries from all over the world are sent to Paris temporarily so that they get acquainted with the people and get to know whom to contact in case they have an issue to handle.

d) Performance appraisal

The first method used to evaluate the performance of employees is the management by objective method whereby the manager calls the employee and set objectives together and then during the appraisal interview, they discuss whether these objectives were met or not. The second method used is qualitative in nature whereby the employee is evaluated according to criteria related to values of the company, the corporate culture and the ethics.

FR1 human resource manager has explained that pay is related to end of year performance appraisal. The scheme is developed at the parent company.

e) Compensation and benefits

Compensation and benefits are adapted to the local law. In France, FR1 gives schooling. In Lebanon, it doesn't exist. When it comes to holidays, the Lebanese subsidiary gives 15 days as by the Lebanese law whereas in France they give 18 days. The Lebanese subsidiary provides life insurance, a profit sharing scheme which is higher in Lebanon than other subsidiaries in the region due to the profits and high growth achieved at the Lebanese subsidiary.

FR1 is structured in a matrix way. Every person has two reporting channels. For example, the financial manager reports to the country manager but he also reports to the zone financial manager located in Paris. The parent company is involved in decision-making. Even if sometimes they give the subsidiary the freedom to take some decisions, the subsidiary should inform the parent company about decisions taken. For example, if a product manager has to be changed, the HR department in Paris should be informed.

3. Standardization versus adaptation

FR1 considers that the code is an internationally shared template. However, it does confess that some clauses of the code are not important to the Lebanese context like for example sexual harassment. The human resource manager of FR1 Lebanon clarified his point of view by explaining that such clauses should not be considered as inapplicable but as seen from different perceptions. Once more, employees find themselves obliged to sign and acknowledge the code even if they have other points of views about it. According to the human resource manager, there is a conflict between the organizational culture and the Lebanese culture or context. In Lebanon, to get governmental formalities done on time, a bribe or a gift is necessary to the governmental employee in charge. However, according to the code of FR1, gifts exceeding 50 USD in value are considered bribes. FR1 didn't adapt or tried even to implement this clause differently although the local context imposes a certain reality which is corruption. However, the HR manager clarified that common sense is used sometimes to distinguish between bribery and a gift. In addition, corruption is a big issue in Lebanon but it is not in France. Thus, even when an adaptation or even an ignorance of a clause could facilitate business in Lebanon, the code was fully-respected and remained untouched in content and even in implementation.

The HRM of the Lebanese subsidiary of the French multinational FR1 has confirmed that there are specific guidelines for recruitment. However, the subsidiary has a certain degree of maneuver as to follow fully or partially the guidelines. He stated: *“Now, we can follow and not follow any of those, but these are guidelines set by the zone for the best practices. To have very well integrated, very well set recruitment system, you have to follow these guidelines. It depends on the percentage, on which points you really focus on and which points you disregard”*. He further explains that the parent company doesn't interfere in the process but has to give an authorization for recruitment. It is obvious here that the parent company has a guideline for recruitment and selection which serves as a framework but for which the subsidiary has the freedom to follow fully or partially. FR1 in Lebanon relies much on personal relations as a source of recruitment. Employees are a great source of recruitment through referrals. According to the human resource manager, employees would inform their referees about FR1 culture and they would know whether the candidate they are referring fits or not in the organizational culture. FR1 had also to use the most commonly used source of recruitment which is through job fairs and direct contacts with top universities in Lebanon. The human resource manager also explained (mentioned in the previous section) that local headhunters and recruitment agencies are used for certain positions. It means that the

subsidiary adapted the sources of recruitment to the Lebanese context. For the methods of selection, it seems also that the subsidiary is using its own methods.

FR1 Lebanon didn't perform any adaptations or modification to training programs. They are standard. However, it is important to note that except for senior managers training programs which are held in France, training programs are conceived in the regional office in Dubai which serves the Middle East... The training programs are not being transferred directly from France to Lebanon. They are passing by a regional office and then transferred to the Middle Eastern subsidiaries. The human resource manager of FR1 stated that training programs are sometimes conceived in Lebanon through local suppliers and used all across the region. She stresses the fact that local suppliers of training programs know well the culture and even they are familiar with the regional culture which is somehow close to the Lebanese culture. She further explains that when the trainer is Lebanese, he/she is also familiar with the culture and the attendees could identify more with the trainer.

FR1 human resource manager talked about certain flexibility when it comes to the implementation of certain procedures related to performance appraisal. Slight adaptations could be done to adapt to the country's legislation. He states: *"Now, of course, you've got some issues which are different between us and France because of some legal aspects which you have to follow are different across countries. For Lebanon, for example, I mean you are not obliged to give a bonus while in France, maybe, you are (I don't know)... It depends on the country legislation"*. The human resource manager of FR1 has evoked a certain reason for adaptation which is the labour law or the pressure of labour unions to link the results of the performance appraisal to rewards or bonuses. In Lebanon, there is no law that obliges companies to give employees bonuses following a performance appraisal.

Compensation and benefits are adapted to the local market with standard regional benefits offered such as life insurance and profit sharing schemes.

4. Headquarter-subsidiary relation

a) Coordination mechanisms

There is an open communication channel between the subsidiary and the headquarters in Paris. The Division General Manager reports to the Country General Manager, he also reports to the Division Zone Manager of the particular region. For example, the luxury division manager reports to the general manager in Lebanon on day to day issues but has to report to the zone manager in Paris on strategic issues.

The communication is slightly informal. The parent company encourages employees in the subsidiary to call them at any time or send them an e-mail just for information and not to get an approval.

Regular conferences are held for example the budget planning session where by all division managers have to go to Paris or zone managers from France have to come to Lebanon.

Another tool for communicating with the parent company is through videoconferencing which is used sometimes when there some budget restrictions for travelling to France.

The main control mechanism is through procedures, systems and reports. Certain standards and guidelines should be followed and employees get trainings on these guidelines. There is a checklist that the employee should fill to make sure that he/she is following properly the guidelines.

The parent company monitors the subsidiary's performance through some indicators like growth rate, penetration rate of new markets, sales revenues, etc...

As for the HR department, it is controlled basically through reporting which has to follow certain guidelines. Reporting is done for different HR issues including payroll increase, training, recruitment, integration and career development. A report is also sent to the parent company exposing the HR strategy for the 3 years to come. However, according to the HR manager, control is not very strict when it comes to HR because it depends on the culture and country where the subsidiary is operating. In HR, there is a possibility of using innovative methods depending on the culture.

The table below summarizes the control and coordination mechanisms of FR1:

Table 41: Control and coordination at FR1

Reporting to	Regional office in Dubai
Information system	Intranet
Reporting	Each employee has 2 reporting channels (country and regional), it is the main control tool, control is not strict for HR because it depends on culture and country
Conferences and visits	Regular conferences
Compliance officer	None
Main control tools	Reporting

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

The Lebanese subsidiary has the biggest market share of cosmetics in Lebanon. The human resource manager states: *“We are number one in cosmetics worldwide, but also believe that we are number one in Lebanon in cosmetics over the whole portfolio”*. The human resource manager further explains that the strength of the Lebanese subsidiary is by its human capital. He explains: *“I can definitely tell you that we are looking in Paris at Lebanon as P epini ere there is no term for that in English. P epini ere is basically where you develop your talents, and where you get your pool of talented candidates to recruit later on, so for example, in Dubai they usually come over here to do the recruitment. They consider Lebanon to be a pool”*.

c) Innovation and trust

The innovation is difficult at FR1. The subsidiaries cannot easily suggest new ideas to the parent company. The human resource manager explains: *“In the parent company, it’s very hard to do that. Because they have their own team, which are responsible for development. Now they do hear your request, but they transfer your request to the structure which is responsible for development of HR systems and HR programs. Now the more hits they receive; then, the more active they become in tackling the searching issue”*.

d) Job rotation headquarter-subsidiary

Job rotation occur mainly in one direction from the subsidiary to the headquarter office in Paris aiming at getting to know “key people” as the human resource manager explains. He explains: *“We do have what we call integration. Integration is mainly yearly go to the Paris subsidiary and you see what goes over there, and you start open communication with key people that you become acquainting with on later stage, so if you have any question you know who to contact”*.

FR1 is a French MNC that sells cosmetics all over the world. The code of conduct is shared internationally and employees have to sign it. Its content is fully respected and its implementation is not adapted. The Lebanese subsidiary uses different recruitment sources and methods which are not imposed by the parent company . The latter provides the subsidiary with a general guideline. Training programs are conducted mainly in Dubai and sometimes in France. Some training programs are conceived in Lebanon and used across the region. The performance appraisal is slightly adapted to the Lebanese context. Compensation and benefits follow the Lebanese market with some standard regional benefits. The parent company controls the subsidiary through reporting. The subsidiary coordinates with the parent company through different communication channels. The uniqueness of the Lebanese subsidiary is the human capital and is considered a pool of talents

FR2

1. The company

FR2 is a global pharmaceutical group engaged in the research, development, manufacture and marketing of healthcare products.

The group is organized around two main business activities: pharmaceuticals and human vaccines.

FR2 specializes in six therapeutic areas: thrombosis, cardiovascular, metabolic disorders, oncology, central nervous system and internal medicine. In the therapy area of thrombosis, the group's major products include Lovenox (enoxaparin sodium) and Plavix (clopidogrel). The group's cardiovascular medicines include two major hypertension treatments: Aprovel and Tritace. Within the therapy area of metabolic disorders, FR2 offers products such as Lantus (insulin glargine) and Amaryl (glimepiride). The group's product portfolio in the oncology therapy area includes Taxotere (docetaxel) and Eloxatine (oxaliplatin). FR2' central nervous system therapeutic area products are Stilnox (zolpidem), Copaxone (glatiramer acetate) and Depakine (sodium valproate).

The group's principal products in the area of internal medicine are in the fields of respiratory/allergy (Allegra and Nasacort), urology (Xatral) and osteoporosis (Actonel). The rest of FR2' pharmaceutical portfolio includes a wide range of prescription drugs, over-the-counter products and generics.

The group's vaccine business offers products in five areas: pediatric combination vaccines providing protection against diseases such as pertussis, diphtheria, tetanus, and Haemophilus influenzae type b infections; influenza vaccines such as Fluzone and Vaxigrip, used for seasonal campaigns in both hemispheres; adult and adolescent booster vaccines protecting against pertussis, tetanus, diphtheria and polio; meningitis vaccines; and travel, endemic and Measles, Mumps and Rubella (MMR) vaccines, which include a range of products against hepatitis A, typhoid, rabies, yellow fever, Japanese encephalitis, cholera, MMR and anti-venoms.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

At the French multinational FR2, employees should acknowledge and sign the code of conduct. For new hires, there is a workshop organized about the code of conduct to make sure that all employees have well understood its content. It is important to note that the code of conduct is linked to the bonus system which includes a qualitative evaluation of the employee

performance. The degree to which the employee is well integrated into the culture and to which level he/she is living by the code is part of his/her performance appraisal results.

b) Recruitment and Selection

The main methods used are headhunting and outsourcing. The decision is local. The human resource manager in the subsidiary and the general manager take the decisions. The parent company's role in recruitment is to give some ideas. There are four levels at the company: n-3, n-2, n-1 and n. The general manager is n and the head of department is n-1. Any recruitment below n-1 is the responsibility of the human resource manager and the head of department in charge. For the head of department positions, it is the responsibility of the human resource manager, the general manager and some feedback and validation from the human resource manager in the regional office. The final decision for this position and the final approval is for the general manager. Reference checking is only done if there is a doubt about the candidate.

c) Training and development

At FR2, the training is internal. It is divided between field force training and other trainings. The field force is trained internally so that to acquire certain needed competencies. Three departments work jointly for the development of the training plan: the business support department, the human resource department, and the sales department. As for the new medical representatives who join the company, they should follow a curriculum training about the company's values, rules, code of conduct in addition to knowledge about products, selling skills and tools. This training program is standard.

d) Performance appraisal

At FR2, there are quantitative and qualitative appraisals. Every employee has six objectives part of these objectives are qualitative and others are quantitative. Quantitative is related to performance, to specific KPIs (Key performance indicators) assessed mid-year and at the end of the year. The qualitative is how the employee is living the values of the company, the attitude and how is he doing things. The incentive scheme is related to the 50% quantitative and 50% on qualitative. The guideline is sent by the parent company.

e) Compensation and benefits

The compensation and benefits are determined after a market survey is done about competitors in the industry. The insurance is obligatory. However, the subsidiary can give a benefit that matches the needs of the market provided it has the tools and the resources. When an employee joins the company, he/she knows that this is their incentive scheme; this is the bonus, the insurance policy, the car allowance etc... This is done internally. The headquarter doesn't interfere in these details. If the budget is approved, the subsidiary can use this budget freely.

b) Standardization versus adaptation

FR2 not consider any adaptations in the texts of the code. However, the human resource manager confirmed: *“Some clauses do not concern the Lebanese culture like for example color discrimination, there are other types of discriminations like for example sects, political or even regional”*. However, no adaptation in texts was done. This doesn't mean that discriminations not mentioned in the code are allowed in the Lebanese subsidiary. They are taken into consideration even they are not mentioned in texts. There is a broader scope of applying clauses not mentioned in the code but are related to the consciousness of the human resource manager for example while recruiting.

FR2 human resource manager in Lebanon made it clear that the recruitment and selection process is not standard. The decision is taken locally. Methods and sources are decided by the human resource manager of the subsidiary and the general manager. The methods used to recruit are not always the same and they vary according to the position needed. From here, it can be said that FR2 doesn't follow any standardized recruitment and selection process and it operates freely with minimum interference from the parent company. The subsidiary has its own tests for recruitment but built around a set of competencies that are standard. One of the tests done specifically for Lebanon and initiated by the subsidiary is the personality test which is not required by the parent company. The HR manager felt that this test could be helpful in selecting the right candidate. Another local initiative is the internal referencing. Employees are asked to refer candidates for open positions. This initiative was taken basically to motivate employees. Internal referencing is rewarded through bonuses given to employees who refer new candidates. The human resource manager explains that this technique works well for Lebanon because of the strong interpersonal relations between people and the small size of the country.

FR2 human resource manager confirmed that some training programs were developed locally. Let's recall a statement of the human resource manager about standardization and adaptation issues: *"There are guidelines for each HR practice. The subsidiary follows the guideline taking into consideration the specificity of the country but the main frame is here. The guideline should be respected but could adapt to the internal rules of the country"*. From this speech, we can understand that adaptations are possible for all human resource practices which should take into consideration the local needs of the subsidiary which are related to the country where it is implemented.

The human resource manager of FR2 also expressed some flexibility with regard to possible adaptations of the performance appraisal. He reminds us that the performance appraisal is 50% quantitative and 50% qualitative. However, the subsidiary has some freedom to modify the system while keeping the percentages as constant. The human resource manager states: *"It is a unified system. However, some adaptations are possible provided the system remains 50% for quantitative and 50% for qualitative"*.

Compensation and benefits are fully adapted to the Lebanese market. The multinational company performs market surveys to benchmark other multinational companies in the region.

c) Headquarter- subsidiary relation

a) Coordination and control

The structure is functional: the general manager, sales department, medical department, HR department, finance department and the supply chain department. Each year, the subsidiary prepares a business plan stating the budget needed, the resources needed, what growth is expected, sales increase expectations and this will be sent to the headquarters in Paris, the head of the intercontinental region.

At the beginning of the year, a review called T1 is done to see the trend to adjust another trend discussion, the T2 is then held.

At the operational level, the subsidiary has some freedom in decision making. Once the business plan (budget, trends, and expenses) is approved, the subsidiary can operate freely.

A scheduled meeting is held every year; at least twice per year at the intercontinental headquarter. It is an official meeting the directions for the next year are set and best practices are shared. It is a learning session and sharing best practices. Objectives of the year are defined. In addition, visits from the headquarter are organized to discuss some emerging

issues. There is a head of communication and each department has its own functional manager. All functional managers communicate among each others. The HR manager communicates with the headquarters videoconferencing, telephone, meetings, regular meetings and e-mails. He reports to the HR manager in Paris. The relation that binds the HR manager to his manager in the parent company is professional but at the same time very smooth.

Control is done through the financial system and the monthly reporting. There is also a common information system.

The table below summarizes the control and coordination mechanisms in FR2:

Table 42: Control and coordination at FR2

Reporting to	Parent company in France
Information system	Common information system
Reporting	Monthly reporting.
Conferences and visits	Regular meetings and video conferencing
Compliance officer	None
Main control tools	Reporting

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

The human resource manager at FR2 Lebanon considers that the uniqueness of the subsidiary is its team management. Employees work in teams which are very synergetic. He states: *“You can consider that our subsidiary is perceived and considered as one of the best management teams. The management we have here is mature and professional. But this doesn’t mean that others are not. We are perceived that we have the right person in the right place, we have the experience, and we have the maturity. We have a good team, aligned team with the strategy of the company and we have a good relation all together and the GM”*.

c) Innovation and trust

The human resource manager explained that the subsidiary has initiated many projects that were adopted in other subsidiaries through best practices system and the subsidiary was awarded several prizes. He states: *“Many projects presented by us were considered best practices and were shared internationally; I can tell you that we have the prize for the best*

management, the golden award for the quality of management. It was initiated by the headquarter but we were the first to implement it. It was a pilot project. We took the award. I received the award of the good management business practice GMBP, the gold award for the crisis management. I was heading a crisis management team during the 2006 war. We are in the swine flu crisis management". They took us as an example for the Middle East and North Africa for how we deal with crisis". It is clear that the Lebanese subsidiary has shared several best practices with other subsidiaries and it has a special advantage over other subsidiaries in the region.

d) Job rotation headquarter-subsidiary

The human resource manager explained that there are different types of mobility programs within the multinational company. He states: *"Yes, we have a mobility department which manages all expatriates over the world; we have a mobility policy, expatriation policy"*. These mobility programs are managed at the parent company in Paris.

FR1 is a French pharmaceutical MNC. The code of conduct is signed by all new hires. The recruitment process is conceived locally and the decision is local. The parent company interferes in the hiring of senior managers. Some training programs are standard and others are conceived locally according to needs. The performance appraisal is quantitative and qualitative, it is standard and set by the parent company. Compensation and benefits follow the local market. The parent company controls the subsidiary through reporting. The uniqueness of the subsidiary is its competent management team. The subsidiary initiated several projects and was awarded several prizes.

UK1

1. The company

UK1 is an international tobacco group engaged in selling of cigarettes, cigars, leaf and other tobacco products. It serves nearly 180 markets in Europe, Asia Pacific, Latin America, Africa, the Middle East and the American Pacific region through a large number of subsidiaries and associate companies.

The group companies produce about 715,000 million cigarettes through 49 cigarette factories in 41 countries. Four of these factories and two separate plants also make cigars, roll-your-own tobacco and pipe tobacco. The group also owns a factory making smokeless snus. The group purchases approximately 390,000 tonnes of leaf in 2008, grown by more than 300,000 farmers, about 80% of it by volume coming from farmers and suppliers in emerging

economies. It also purchases significant quantities of other raw materials, such as packaging, cigarette paper, filter materials, glues, inks and plug wraps.

The UK1 group owns a portfolio of more than 300 brands. Its leading international brands include Dunhill, Lucky Strike, Kent, State Express 555, Rothmans, Peter Stuyvesant, Kool, Pall Mall, Viceroy and John Player Gold Leaf. Its finished products are distributed to outlets throughout the world, including supermarkets, convenience stores, hotels, bars, restaurants, cafes, tobacco shops and duty free shops.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

At UK1, the code is called the standards of business conduct which is the responsibility of the legal department and not the human resource department. To ensure that employees know the code of conduct, they have to sign it. In case they have any complaints, they can use the “bottle” to drop their complaints. This bottle is managed locally by the human resource department. UK1 also uses a global survey to measure the culture of the organization. It is called “Your voice”. It is done every two years and covers a wide range of themes related to organizational culture. To measure the organizational culture at the subsidiary, there are norms used to compare it to the global norms of the company or even with competing MNCs in the same sector. The code is reinforced every year and it should be validated.

b) Recruitment and selection

At UK1, recruitment depends a lot on word of mouth and on referrals. Historically and statistically, most of recruitments are through referrals. Recently, a website was launched where candidates can place their CVs. UK1 also participates in job fairs organized by universities mainly AUB. The subsidiary provides students with internships during summer for two months. If they’re good they are hired as management trainees later on. Sometimes the subsidiary goes through recruitment agencies mainly for senior positions. UK1 also uses assessment centers for selection whereby case studies are given to candidates who have to work in groups while being observed by an assessor and then they are required to make presentations. The assessors are trained at the regional office.

The regional office doesn’t interfere in the recruitment process. They should only approve the headcount and the budget. For senior positions, candidates are interviewed by the regional office. The recruitment process is standard. The interview is standard following a unique interview guide based on leadership capabilities required and the assessment of applications is

standard. For example, if the subsidiary is looking at a future manager, this future manager when he will do the recruitment, he has to demonstrate these qualities set under the leadership capabilities. Even tests are standard.

c) Training and development

For UK1, there are different levels of training programs. There is an international training program which is run by the Globe House. It's international and it is standard. Participation in these training programs is highly selective. There are also regional courses, area courses and local courses. The human resource manager explains: *"The employee does his own development plan with his line manager. He says: my development needs are X, Y, Z, and I think I can develop this by attending this course because the list of courses is on the intranet (international and regional). The area ones are sent beginning of the year to the all employees, so they know what courses are available"*. As for development of managers, there is talent review. It's a meeting that starts at the zone level and is cascaded all to the global level. During the Talent Review Meeting, managers discuss their development plan and their career development plan. Each employee fixes an objective. The Talent Review Meeting is attended by the leadership committee, and every single manager case is discussed and is given advice about his career development. The regional office always interferes in the in the development of programs, train the trainers programs and talent review meetings.

d) Performance appraisal

The human resource manager of UK1 has explained that the technique used in performance appraisal is the rating system. It's a global system called "Perform". Performance objectives must be set at the beginning of each year. By August there is a mid-year review. There are two kinds of bonuses related to performance: the bonus (annual bonus) which is not related to individual performance but to organizational performance. The individual performance is rewarded by the annual increase. Depending on the rating that an employee gets the employee gets a certain percentage in his annual basic salary increase on a yearly basis.

e) Compensation and benefits

There are local employees and international assignees. There is an expatriation package which is standard. It is global.

For locals, also, it's standard, but it follows the local market. In terms of benefits, they differ from one country to another for the locals. Some locals, in Lebanon for example, they take car allowances. It is driven based on what is applicable in that market.

The rewards are decided by a reward team along with the heads of HR. Grading is done according to cost of living, market studies, and salary service. Every year there is a Board Compensation Committee which overlooks again what happens through a survey. There is a specific process and a specific guideline and conditions have to apply

3. Standardization versus adaptation

For UK1, no adaptations of the code are possible. There are strict norms to respect and the subsidiary is evaluated against these norms. The human resource manager was very firm when she was asked whether the code was adapted and whether there are any complaints from employees: *“No, we’ve taken them as it is. We’ve never adapted; we had no issues. We haven’t had that. No. We’ve taken it as it is”*.

UK1 has a standard recruitment process. The interview is standard following a unique interview guide based on leadership capabilities required by the company. Even the assessment of applications is standard. The tests are also standard. However, the human resource manager states: *“Nothing is adapted but the subsidiary can innovate or adapt if necessary”*. She also says that although the tests are standard but: *“you might find in different places that they use more tests or fewer tests”*. It means that no adaptations were done till now, everything is standard but adaptations are not impossible if necessary. It is important however to note that UK1 also chose the same universities mentioned by all previously mentioned multinationals as source for recruitment. UK1 also added a test specifically for Lebanon which is the psychometric test. The reason is purely related to the high number of applications received in Lebanon. The test could serve as a filtering tool to limit the big pool of applicants.

For UK1, training and development is standard. However, the human resource manager gives an example of possible local needs: *“if there’s a need, for example: five employees are saying they need negotiation skills and there is no negotiation skills offered on the area level or regional or international then it’s easier to administer it locally. There are internal trainers. The courses are designed through consultancy with the global development team. There are train the trainers courses to help internal trainers in their work. Local courses are decided by the subsidiary. We decide on what we want, even the budget”*. This statement allows us to understand that the human resource manager confirms the possibility of having local training

programs if local needs arise and that could not be satisfied by regional or global training programs. She talked about different levels of adaptations: the content, the trainers, and the budget. She considers that the subsidiary has the freedom to decide upon initiating a local program and deciding upon its content, the budget and trainers. She even talked about training the trainers programs which help local trainers acquire the skills and knowledge needed to offer training programs. It is done “with consultation” with the regional office implying a certain consultant role for the regional office but with decision-making somewhat local.

AT UK1, the performance appraisal system is strictly standardized without any possible adaptations. However, the human resource manager states: *“Not adapted, but constantly every year we are doing an internal audit (this is Lebanon only) to ensure the quality of the performance objectives are done right and to insure the consistency...You have committees assessing the performance objectives and not an individual, so you don’t have this subjectivity”*. Here, it is not about adapting the system but it is about a certain innovation that the subsidiary is doing to control the quality of the performance appraisal system by ensuring its consistency with the standard scheme provided by the parent company and its objectivity through collective review of performance done by a committee. Compensation and benefits are fully adapted to the local market.

4. Headquarter-subsidiary relation

a) Coordination and control

The general manager is part of the area leadership team which is constituted by all general managers in the area. The general manager of the Lebanese subsidiary represents the zone. Decisions for the zone are taken by the leadership team of the zone which is constituted by functional managers and the GM. Operational decisions are taken by the zone without referring back to the area for approval. If there is a change in the strategic plan of the zone or in the policies, the zone has to get the approval of the area.

There are two types of communications at UK1, formal and informal. The formal communication is basically monthly meetings. The GM here is part of the area leadership team. So, the GM has a monthly leadership team meeting, which takes place and gives an update on key projects. There are also projects across the front functions and the projects are on the area level with representatives from each zone. The communication flows in all directions. The communication is formal and daily.

Control is done through reports. In general there are reports about vacancies, organizational charts, any new position to be created. There is an information system and the processes are

global. There are also surveys which are called “Your Voice”. Your voice is done also on a global level. It measures the culture of the organization. It has a lot; it’s a big scope, from culture to reward, to a lot of things. It is done every two years. There are norms that results should be compared to. It compares versus UK1 norm, global UK1 norm, versus the area, versus the region, versus UK1 global norm, and it compares externally versus the high performing FMCG’s globally. As for the HR department, it is audited every 2 years. People come from Dubai and Egypt. There are audits on the reward, on the personnel, and on the talent. For rewards for example, this committee includes the regional head of reward, includes the GM, the Head of area Head of HR, the Head of HR of the Zone, and the area rewards. The table below summarizes the control and coordination mechanisms of UK1:

Table 43: Control and coordination at UK1

Reporting to	Parent company in France
Information system	Information system including all processes
Reporting	Reports about vacancies, organizational charts and new positions to be created
Conferences and visits	Regular visits from regional and parent company, monthly meetings
Compliance officer	Auditor comes regularly to check procedures and guideline implementation
Main control tools	Reporting

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

Besides being the zone office for the Middle East, the main importance of the Lebanese subsidiary is that it is an exporter of talents especially to the gulf countries. The human resource manager explains: “*we are a talent export market, specifically Lebanon. Meaning we count a lot on the Lebanon market for talents, close to the area, specifically GCC*”. Besides, Lebanon is a big volume contributor for the multinational company in terms of sales as Lebanon is ranked number one in smoking rates in the Middle East as the human resource manager explains.

c) Innovation and trust

The main innovation the subsidiary did is how it dealt with the problem of deciding upon compensations that was perceived by several employees as being sometimes unfair or

subjective. The subsidiary initiated a process to enhance transparency as much as possible to solve the problem.

The human resource manager explains: *“What we’ve done in the last two years is that we didn’t want the reward side to be perceived as a black box. We want people to know how we work. So it’s not based on the winner; put the salary because I feel like it. It’s based on scientific methods that we follow (like any research study that we do). So what we’ve done, we’ve opened it to the organization. We’ve got 2-3 volunteers from different functions who would be the custodians of this, so even when we present to the organization, it’s not presented by HR; it’s presented by other members of the employees which have listened a lot from the resistance and from this HR versus us, so they know how it’s done; they acknowledge if it’s done professionally, scientifically, and it makes sense. Now it is being implemented in the rest of the subsidiaries”*.

d) Job rotation headquarter-subsidiary

According to the human resource manager, there are no mobility programs. There are only rotations for managers between departments as part of a managerial training. She states: *“There is no specific except for the management training. Management training program is two years where they have to rotate between departments”*.

UK1 is a British MNC that sells tobacco. The code of conduct is strictly respected and a whistle blowing tool called the “bottle” is used to report any violation. The recruitment process and the selection methods are standard. Training programs are standard with the possibility of initiating local programs if there is a need. Performance appraisal is standard but the quality of the process is evaluated periodically. Compensation and benefits are fully adapted to the local market. The parent company controls the subsidiary through reporting and the subsidiary coordinates with the parent company through different communication channels. The Lebanese subsidiary is considered an exporter of talents besides being a high revenue generator. The Lebanese subsidiary innovated by launching a process that increases the transparency of the compensation and benefits decisions.

UK2

1. The company

UK2 is a global manufacturer, marketer and distributor of branded confectionery and non alcoholic beverages. The company operates along with its subsidiaries in the UK, Eurozone,

the US, Central and Southern America, Australia and other parts of Asia Pacific. The company's products include brands, such as UK2, Halls, Trident, Dr Pepper, Snapple, Trebor, Dentyne, Bubblicious and Bassett.

The company's confectionery business operates chocolate, gum and sugar categories. Its product portfolio comprises UK2 Dairy Milk, Trident, Halls, Dentyne, Clorets and some other significant brands. The beverage business of UK2 markets a range of refreshment beverages including carbonated drinks, fruit juices, iced teas, diet beverages and water. The major brands in this business are Dr. Pepper, Seven Up, Schweppes, Snapple, Hawaiian Punch and Mott's. This business is concentrated in the Americas and Australia. In North America, the distribution of carbonated soft drinks is done through third parties. Previously, the company operated its business through four business segments namely Americas Confectionery, Americas Beverages, Europe Middle East and Africa (EMEA) and Asia Pacific.

Following the split of the former Europe, Middle East and Africa (EMEA) region into two regions the company operational management structure has five business segments which are: Britain, Ireland, Middle East and Africa (BIMA), Europe, Americas Confectionery, Asia Pacific and Americas Beverages. Americas Confectionery, BIMA and Europe produce and distribute confectionery products in their respective geographical markets. The Asia Pacific segment produces and distributes confectionery and beverages products in the Asia Pacific region. Americas Beverages market, produce and distribute branded soft drinks in North America.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

As for UK2, another British MNC, employees have also to sign and acknowledge the code In addition to yearly briefing sessions where employees are trained on business principles online or through booklets. The organizational culture follows "Performance driven values led". The parent company controls the subsidiary's level of integration into the organizational culture through sales performance and people performance.

b) Recruitment and selection

For UK2, the main source of recruitment is existing employees. They can transmit vacancies through word of mouth. Other sources include recruitment agencies, internal posting and job fairs in universities manly LAU and AUB. The regional office located in Egypt interferes in the budget and vacancies but never interferes in methods of recruitment. The process is the

same everywhere except that for the Levant region where tests are done to potential hires differently. For senior positions, there is an assessment center that screens candidates. As for lower level positions, it is left to local country. Reference checking is done occasionally. There is no formal method of doing it.

c) Training and development

Training and development at Cadbury is a mixture of standard programs and locally developed ones according to the human resource manager in Lebanon. There are core programs (Cadbury mandated program) which are standard. In addition, workshops are held in the Levant region regularly where a number of employees are selected to attend. Other employees are sent to “train the trainers” programs so that they become facilitators and give the material which is standard. The human resource manager states clearly that there are programs also developed locally whenever there is a need. The regional office in Egypt should approve the budget but never interfere in programs.

d) Performance appraisal

For UK2, performance appraisal is standard. There are two performance appraisals, a quantitative and a qualitative. The quantitative evaluates to what degree objectives were met. It also evaluates projects and initiatives. Whereas the qualitative, called leadership imperatives, evaluates the behavioural side of the employee. The rating is done using a matrix, it is done online. Furthermore, there is the talent review process which is standard and aims at evaluating managers’ performance.

e) Compensation and benefits

Compensation and benefits is adapted. It is based on local market. For benefits, they are determined according to local law. But there are also standard UK2 benefits like shares and bonus.

3. Standardization versus adaptation

For UK2 adaptations were done to include religious and political discrimination which are important issues in Lebanon. According to the human resource manager, it is irrelevant to talk about racial and ethnic discrimination in a country supposedly with one ethnicity and one race. Another problem faced by UK2 in Lebanon was the conflict between values of the company and corruption in its external environment. “It is a major challenge but there is no

adaptation of our values, our organizational culture follows the slogan: Performance driven values led”.

The recruitment process at UK2 is somehow a standard process. The process is the same everywhere. The only difference is that tests are done differently in the Levant region. An aptitude test was developed locally for Lebanon. The HR manager explained that the requirements in terms of competencies in the Levant region are different than other regions in the world and that is the reason behind developing a local aptitude test. However, even if the process is standard, the regional office located in Egypt never interferes in the methods of recruitment. They only interfere in the budget and vacancies. However, the HR manager stressed the importance of personal relations as source of recruitment. She states: *“Usually employees are a good source of recruitment, they are trustworthy and it is also a retention tool”*.

Concerning training and development, the human resource manager of UK2 states: *“Sometimes, local needs arise, they are evaluated and a personnel training program is developed. It has to be approved by line managers. The subsidiary has contracts with training agencies and trainings are conducted either in house or outside the company”*. We could understand out of this statement that the subsidiary has also the freedom to initiate training programs adapted to local needs and even it has partnered with local training agencies ready to provide training programs in-house or outside the company. When talking about local needs and thus adapted content provided by local training agencies, it is clear that UK2 has been flexible enough in responding to local needs and designing training programs accordingly without being limited to the offer of programs offered at the regional or global levels.

For UK2, the performance appraisal process is a standard system with no possible adaptations. The human resource manager stressed on the standard nature of the performance appraisal process.

Compensation and benefits are fully adapted to the local market. However, the multinational offers extra benefits such as life insurance and pension plans.

4. Headquarter-subsidiary relation

a) Coordination and control

Operational decisions are taken in Lebanon whereas strategic ones are taken in the UK and in Egypt. The employees at the subsidiary communicate on daily basis using e-mails, telephone and teleconferencing.

There is a Levant leadership team constituted of different executives from the region, monthly meetings are conducted and regular visits to Lebanon are organized. There is also a common information system.

The organizational culture follows “Performance driven values led”. The parent company controls the level of integration of employees into the organizational culture through sales performance and people performance.

The table below summarizes the control and coordination mechanisms for UK2:

Table 44: Control and coordination at UK2

Reporting to	Regional office in Egypt
Information system	Information system including all processes
Reporting	Monthly reporting
Conferences and visits	Monthly meetings and regular visits to Lebanon organized
Compliance officer	Regular visits by auditors from the Levant region
Main control tools	Reporting

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

The Lebanese subsidiary of UK2 has a main competitive advantage over other subsidiaries in the Middle East which is its huge experience in the region. The human resource manager sees the subsidiary as the “oldest” in the region. It was implemented in 1963,

c) Innovation and trust

As for innovation, the Lebanese subsidiary has initiated a volunteering program which was given the highest award from the parent company. The human resource manager explains: *“We have initiated the forestation project and we have received the chairman award. In addition, we have the Red Cross volunteers which is a group of employees who volunteered in the Red Cross and organize regularly humanitarian events”*

d) Job rotation headquarter-subsidiary

As for job rotation, the human resource manager considered that there are no such programs. She states: “*No. Only on need basis*”. She elaborates that such programs are not obligatory for managers or employees to pass through and they might be initiated only if there is a need.

UK2 is a British FMCG MNC. The code of conduct should be signed. And several clauses were adapted to Lebanon. The recruitment process is standard with little differences in tests administered. The regional office never interferes in the recruitment process. Some training programs are standard, while several programs are initiated and delivered locally whenever needs arise. Performance appraisal is strictly standard and no adaptations were done. Compensation and benefits follow the Lebanese market while some standard benefits are given to local employees. The company controls the subsidiary through performance figures and uses the common information system. The Lebanese subsidiary is the oldest among the subsidiaries of the region.

CH1

1. The company

CH1, the holding company of the CH1 Group, is engaged in the business of manufacturing and marketing branded food and beverages. CH1 operates in Europe, the Americas, Asia, Oceania and Africa.

CH1 operates through six divisions that are organized along product groups. These include: beverages (instant coffee, ground roasted coffee, ready-to-drink coffee, chocolate and malt flavored beverages and mineral water); prepared dishes, cooking aids (frozen products, soups, bouillons, sauces and culinary preparations, pasta and sauces, noodles, delicatessen products and cold meat); milk products, nutrition and ice cream (powdered milk, coffee creamer, infant nutrition, dietetic foods, yoghurt, cereals, desserts and ice-cream); pet care products; confectionery; pharmaceutical products (ophthalmic therapeutic drugs, contact lens care solutions, surgical instruments and equipment, intraocular lenses and products used during surgery and dermatology).

CH1's purchasing activities are conducted at three levels: global, zonal/regional and local. The group purchases commodities specific to a market from the local markets. Zonal/regional purchases are made when the products are common to a particular zone/region. The supplies for products sold globally are procured from global markets. A majority of CH1's purchases are from the zonal/regional markets, while fresh agricultural products are sourced from the local markets.

The key products of the beverages division include coffee, chocolate-based and malted drinks, bottled water, and fruit juices. Nescafe, the flagship soluble coffee product of this division, is one of the leading brands in the world. The company's coffee range also includes Nespresso (espresso coffee in capsules). CH1 is a major producer of chocolate-based and malted drinks. Its leading brands include Nesquik, Milo and Nescau. Pierre and Pure Life are popular brands in CH1 Waters, which has strong presence in the US and Europe. CH1 Waters is established in 130 countries and markets about 70 different brands. CH1 also produces fruit juices (Libby's).

The prepared dishes and cooking aids division includes frozen and chilled, culinary and other businesses. Its popular brands include Hot Packets, Stouffer's, Lean Cuisine, CH1 Bake It, and Torchin. CH1's prepared dishes brands leads in North America and is second in Europe, while cooking aid products are leading in the world. This division also includes the breakfast cereals business of CH1 comprising products such as infant, junior and all family cereals, breakfast cereals, and cereal and performance bars. Outside North America the company has a joint venture with General Mills and Cereal Partners Worldwide. The joint venture began in 1990. Some of the key brands include Carnation Instant Breakfast and Cheerios.

The milk products, nutrition and ice cream division includes three main businesses. The milk products division produces products such as yoghurts and desserts. Its popular brands include Nido, Everyday, Latte Creations, and Sveltesse.

The ice cream business includes brands such as Slow Churned Dreyer's Grand Light, Sveltesse stick, Haagen Dazs, and Legend Real Dairy. CH1 has become the global leader in the ice cream business after gaining full ownership of Dreyer's Grand Ice Cream Holdings in 2006.

Earlier in 2003, CH1 merged its US ice cream business with Dreyer's and owned 67% of the combined company. The CH1 Nutrition business comprises four sub-business divisions: infant, healthcare, performance nutrition and Jenny Craig. Infant sub division includes infant cereals, meals and drinks, and growing up milks. Healthcare sub divisions include nutritionally enriched foods and drinks, nutritionally complete peptide-based formulas and nutritionally complete whole protein feed. Key brands in this sub division include Nutren, Clinutren, Peptamen and Modulen. The performance nutrition division provides sports nutrition products and nutrition products for women. Key brands in this sub division include PowerBar and Pria. Jenny Craig is a weight management company offering consumers a range of branded nutritional products and services in the US, Canada, Australia and New Zealand.

The pet care product group consists of some of the popular names in pet food products such as Purina Dog Chow, Purina Beneful, and Purina ONE. CH1's pet care products are leaders in North America and stand second in Europe and rest of the world.

The confectionery division's key brands include Kit Kat, Aero Caramel, Butterfinger Crisp, Rossiya, Orion, and Allen's. CH1's chocolate brands rank first in Europe, second worldwide, and third in North America.

The pharmaceutical products division of CH1 includes the operations of Alcon, as well as joint-ventures with pharmaceutical and cosmetic companies such as Galderma and Laboratories Inneov. Alcon develops, manufactures and markets pharmaceuticals, surgical equipment and devices, and consumer eye care products to treat diseases and disorders of the eye.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

CH1, a Swiss multinational studied, has also a common code of ethics shared internationally. The HR manager of CH1 Lebanon considered that the organizational culture at CH1 is very strong: *“A CH1 manager has to have a certain personality and culture that is acceptable at CH1. It's not something that is nuclear science; it's common sense. It's clear described in our CH1 Management and Leadership Principles. We should have courage; we should be able to stand and say what we think; we should have respect to each and every individual we deal with regardless of his religion, skin color, ethnic background, gender, or whatever. We always deal with our consumers with respect, and we always deal with other parties with respect. There is no upper hand or lower hand. You know, you could immediately detect an employee whether he is a CH1 person or not. Maybe the first few months you could say that this guy exhibits the behavior that is expected from a CH1 gentleman or not”*. The application of the code is strict when it is related to ethics. The HR manager considers: *“If we find out that someone is not ethical (taking a bribe)...And we keep saying that a bribe is a bribe whether it is taking 1dollar or taking 1 million dollars. For us if that has been proven (that you have taken using your position at CH1 to get access to something that is not legally yours like money, gifts, or whatever) you are terminated. There is no question about it. There is no black and white in this; there is no grey area. It is only black or white here. And we've taken many steps. We had several cases when we asked people to leave the company because they didn't abide by this”*.

b) Recruitment and selection

For the Swiss multinational CH1, many unsolicited applications are received. People just come and deposit their CVs or e-mail the CVs. CVs are filed in a database. Recently an e-recruitment site was launched where people could browse it for vacancies and apply to these vacancies by putting their profile and their application. This is a more advanced tool to somehow screen the applications. If the position is critical or it is difficult to find the right candidates, recruiting agencies or an executive search company are used as sources. Job fairs at top universities are also used as sources of candidates. A program called the Graduate Development Program was initiated recently whereby an advertisement was sent to universities asking fresh graduates to apply online to this program in Lebanon. Students go through a certain aptitude test and a language test which will narrow down the pool of applicants. Then, a group of specialists would come for two days to do further interviews and, eventually, select two candidates to become management associates. Through a 2 year program, they could eventually become one day CH1 managers. The graduate development program is designed in Dubai which is the regional office but it is implemented in Lebanon. The headquarter doesn't interfere at the operational level. As for recruitment of senior managers, the approval of the regional office is necessary because the recruit might report to someone not necessarily in Lebanon. The human resource director in Dubai has to know about these recruitment decisions and sometimes should validate the choice of candidate.

c) Training and development

At CH1, there are international training programs offered at the International Training Center which is the "CH1 University" whereby employees go through various training programs. CH1 also offers international training programs with partners like IMD University in Switzerland or London business School in the UK for instance. CH1 Middle East is composed of 13 markets, and every year a certain number of people are selected to attend these international training programs. All courses are listed on the intranet whereby employees have access to them. Every employee during his appraisal with his superior will be recommended a training course based on the areas where he needs to be developed. Sometimes the employee himself can approach his manager and say that he wants to attend this course, so he goes and register himself on the system. If he gets approval, he gets the validity and can block his seat. The human resource manager states: *"training and development is a part and duty of the individual himself supported by demand. A complete system is available, and no one can claim that he didn't get to have training"*.

Concerning managers' career development, every manager has to pass by mobility at CH1. If a manager doesn't have mobility, he will be restricted. The human resource manager further explains: *"There is something called Pool of Talents. Every market will identify the pool of talent that they have. This is based on certain criteria from the sustained contribution that this person has been able to deliver, results, and attitude. CH1's performance management system measures the quantifiable and the behavioural. These are highlighted through certain competencies related to leadership, the impact in convincing others, innovation and renovation, and so on and so forth. Once the star starts appearing (that this person has been consistently developing) he becomes a part of this pool of talents. There is a market pool of talent, zone pool of talent, and a worldwide pool of talent. It depends on which level the manager has reached, and how much visibility he has obtained. Then, the zone will come and say to CH1 Middle East, "We need a talent from you to take him to Malaysia because now we have a vacancy in Malaysia, and we'd like to consider someone from Middle East." Or they will come to Lebanon and say, "We are having now someone from CH1 Japan, and we want him to have an exposure in CH1 Middle East." This is where the network of the pool will be observed from the centralized headquarters in Switzerland and would direct the relation to the zone heads.*

d) Performance appraisal

At CH1, employees are evaluated through the performance management system. Performance management is linked to reward. However, the reward is based on the sustained contribution which is not just the performance on "how", but how consistently the employee has been contributing and how he has developed. The system is always updated. The human resource manager states: *"Wherever we are steering the organization, the competencies, somehow, sometimes change slightly to highlight certain specific area that we want to focus on; then we keep updating the system. It used to be numerical; now, it's descriptive. We are going towards a rateless system."* The performance appraisal technique used was the rating system and it was changed to the narrative technique.

e) Compensation and benefits

CH1 definitely abides by the local law that it will never pay anything below the minimum salary that is mandated by the government. There is an international grading structure that CH1 is utilizing which is related to the major consultants that are utilized. However, the salary structure in each and every country depends on the salary market of this country. As for

benefits, there are certain benefits that are adapted like insurance. Schooling is not given everywhere; car is not given everywhere. For instance, in Egypt or in Syria cars are extremely expensive. People cannot afford to buy a car. If the employee's job requires the ownership of a car, CH1 provides him with the car because with his salary he cannot buy a car and thus cannot do his job.

3. Standardization versus adaptation

For Swiss multinationals studied, adaptations of the code were possible sometimes without changing the content but by being stricter when applying some of its clauses.

For CH1, the Lebanese subsidiary had to be somehow stricter in one part of the code of conduct to be a "little more fair to the company in a place like Lebanon" as the human resource manager said. In the code of conduct, it is clearly stated that no CH1 employee should take any bribe of course money or even gifts which is common in Lebanon. The Lebanese subsidiary has fixed a certain ceiling for the acceptance of gifts. Gifts' value should not exceed 50 USD otherwise will be considered as a bribe. This clause was adapted to the Lebanese context where corruption and bribery is common and it was a necessity to be strict when it comes to the application of the code. Furthermore, the code of conduct also allows the employment of a relative if the qualification required is available in this person, provided there is no conflict of interest and this person does not report to his relative. *"In Lebanon people are closely related in this part of the world, in the Middle East and Africa as well. People have more tribal feelings and they have tendency to bring people that are related to them, into the organization"* confirmed the human resource manager in Lebanon. Accordingly, the Lebanese subsidiary of CH1 informed the parent company in Switzerland that this practice should not be applied in the Middle East and therefore the employment of relatives should be restricted. However, since this is an international document, the subsidiary couldn't impose a change in the clause but got the approval of the parent company to be stricter in the application of this practice. The human resource manager of the subsidiary said: *"We cannot cheat. This is an international document. We have chosen to be a little bit stricter in this application in this part of the world given the specificities of this region"*. In this case, the adaptation took a different form. There was no formal change in the content but the implementation is different than in other parts of the world.

For CH1, recruitment methods are not the same everywhere. Certain specific tools are utilized after being approved by the parent company. The human resource manager states: *"We have not created something special for Lebanon, but the methods of CH1 are not exactly same*

(universal). *We tend to utilize certain specific tools that are approved by CH1. One of them is the targeted selection of DDI (the Development Dimensions International). It is one of CH1 major consultants that are utilized around the world*". However, the human resource manager made it clear that the DDI method or targeted selection is not utilized in each and every location or in every recruitment that is handled by CH1. The HR manager considers that the questions found in the DDI were conceived in an American way whereby it is not allowed to ask for the age or the religion of the candidate. While in Lebanon it is acceptable to ask for the age and it is sometimes obligatory to ask for the religion (if the candidate should be employed in Saudi Arabia). The HR manager further states: *"Recruitment is adapted; however there are certain parameters or guidelines that are very common across the world of CH1. For Lebanon, the major adaptation or innovation is the participation in job fairs of top universities"*. Once more, it is clear that there are guidelines that serve as framework for which the subsidiary has the choice of following fully or partially. CH1 also adapted the sources of recruitment to the Lebanese context choosing to participate in job fairs of major universities in Lebanon. The freedom of the subsidiary in recruiting and selecting is also clear in the answer of the human resource manager about the role of the regional office in the recruitment and selection process. He states: *"If I want to recruit an HR manager here, my HR director will have to know about it and will have, probably to validate my choice. Sometimes he doesn't and tells me "Go ahead", sometimes he say yes"*. Once more, the regional office could interfere or not. It serves more as "another opinion" or "consultant" when recruiting a new employee. The subsidiary could use tools already validated by CH1 like for example the "DDI" or it can simply use its own tools that it could develop locally and according to local needs. An important revealer of culture is the reference checking. The HR manager made it clear that reference checking is strict at CH1. However, he states: *"There are techniques to ask without getting embarrassed. People in the Middle East don't like to put down someone"*. This is consistent with the Arab culture that tends not to lose face or to say explicitly things.

CH1, the Swiss multinational, has a training manual at the local scale. Every year, a committee decides upon the key competencies that should be developed in the staff, and a sort of a curriculum is formed and then the location is decided. Courses could be conducted in Dubai, Kuwait, Bahrain, Lebanon, or Jordan. CH1 has then chosen to also design locally initiated programs according to competencies needed although it has standard and global training programs offered in Switzerland. The contents of these local programs are decided locally according to competencies needed to be developed in local employees. According to

the HR manager training based on competencies needed has to be somehow adapted since the level of competencies of CH1 employees across subsidiaries might be variant and thus a tailor-made training program for CH1 Lebanon would be beneficial to better respond to subsidiary's needs. Let's recall an important statement of the human resource manager of CH1 in Lebanon which best describes the position of CH1: *“Practices are always hybrid. You cannot say that I'm taking all the internationally provided tools and use them completely as they are here. And this is quite understandable in the world of CH1 that you do. You think Global, but you act local”*.

Concerning performance appraisal, the CH1 human resource manager in Lebanon states: *“The performance appraisal system is not standard everywhere in CH1. Each zone, sometimes, has its own system. A new system is being developed to be utilized at a certain level of managers across the board the same”*. It is clear that CH1 has a regional adaptation of its performance appraisal system but is working on a global system for the future.

Compensation and benefits are fully adapted to the local market but following a guideline explaining about compensation and benefits policies.

4. Headquarter- subsidiary relation

a) Control and coordination

There are very clear guidelines of what could be decided by the Lebanese subsidiary. In terms of marketing, it is centralized at the headquarters in Jabal Ali. All advertising campaigns are designed at the head office and distributed to Pan- Arab TVs and billboards. Certain local interventions are implemented. For example, there is the trade marketing or Channel Category Sales Development Management which provide feedback. For instance, the marketing campaign for the brand Nido in Lebanon which is one of CH1's leading brands in the market (the powder milk) is adapted to the local culture where education has a lot of value. Although campaigns of education doesn't make much sense in other places in the Gulf, in Lebanon every year CH1 does something like a promotion whereby consumers can win an educational scholarship free. Tactical decisions are taken at the local level and the strategic decisions are done to a certain extent in Dubai, and to a bigger extent at SBU (Strategic Business Unit) which is based in Switzerland as well. CH1 operates in a matrix organization. Managers communicate through the intranet amongst each other on a local basis, but on a daily basis, each functional manager communicates with the functional manager at the head office. The communication is top-down and flows in all directions. Every year conferences are held in Dubai and in Switzerland. The top management gives the middle managers at the subsidiary

an update of what should be achieved, directions, objectives and priorities. Then, these guidelines are cascaded down. For instance, the team of Lebanon, when they go to Dubai or wherever these conferences happen, they understand what are their priorities and directions, and they come and do another session in Lebanon to cascade further to the whole organization, so that people would steer in the right direction.

There are several controls in terms of finance. There are key performance indicators set and reports are to be delivered on weekly basis and monthly basis to the head office. In addition, there are audit tools used to control the subsidiary. There are three levels of auditors that come to visit the subsidiary. As for the HR department, it is controlled through KPIs and monthly operational targets to be met. For instance, how much recruitment should be achieved, what are the levels of salary that should be adjusted and how many payrolls should be run in the Levant region are common questions to answer. In addition, there is a monthly operational report that goes to the HR manager in Dubai, with whom regular meetings are conducted to align goals and objectives.

Another control tool is the day-to-day activity that should be reported. There is a constant flow of communication like. For example, a few months ago, one of CH1’s buses in Syria went into an accident, and one person was severely injured. This simple matter has to be reported, recorded into work injury, and get intimidated.

The table below summarizes the control and coordination mechanisms of CH1:

Table 45: Control and coordination at CH1

Reporting to	Regional office in Dubai
Information system	Website for best practices
Reporting	Weekly, monthly reports (KPI and monthly operational targets)
Conferences and visits	Yearly conference in regional office (cascaded down to bottom line)
Compliance officer	Three levels of auditors to ensure compliance
Main control tools	Reporting

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

According to the human resource manager, the main uniqueness of the subsidiary is being an exporter of talents. The main strength of the Lebanese subsidiary is the human capital. He

explains: *“Well, not because we are in Lebanon, and I’m Lebanese, but amongst the Middle Eastern population the Lebanese are amongst the top educated employees of our staff. We have had several of our staff taken abroad and used in international assignment because of their skills, their open-mindedness, and international abilities. Many of them speak three languages. They have top-notch education either from Lebanon or even abroad. Some of them have gone through advanced postgraduate degrees in big top-notch universities like MIT, Harvard, and even in Europe HSC and so on and so forth. This is, I would say, the biggest advantage of Lebanon. We are the biggest exporter of talents”*.

c) Innovation and trust

Despite the existence of a special website for best practices, the human resource manager explains that until now the Lebanese subsidiary has not yet initiated any innovation. He states: *“Actually we have a site CSA whereby you post your best practices, and this site has been established since almost a year. Until now we cannot claim that CH1 Lebanon has posted its best practices yet. Hopefully we will some time, but up till now no”*.

d) Job rotation headquarter-subsidiary

At CH1, the rotation between the subsidiaries and even between the subsidiary and the headquarter is governed by the pool of talents that is centralized in the headquarter in Switzerland. Whenever needs arise, candidates are chosen from this pool for international assignments. The more employees have international assignments, the more they have the chance to promote and develop. The human resource manager explains in details: *“Actually, any manager to become at a certain level has to have mobility at Nestle. If you don’t have mobility, you will be restricted. We have something called a Pool of Talents. Every market will identify the talent pool that they have. This is based on certain criteria from the sustained contribution that this person has been able to deliver to results, the attitude. Our performance management system measures not just the “what”; it has the quantifiable and behavioral. It’s not what you have done only, but how you have done it. These are highlighted through certain competencies related to leadership, the impact in convincing others, innovation and renovation, and so on and so forth. And once the star starts appearing (that this person has been consistently developing) he becomes a part of this pool of talents. There is a market pool of talent, zone pool of talent, and a worldwide pool of talent. It depends on which level you have reached, and how much visibility you have obtained. So the more you*

shine, the bigger you grow. Then, the zone will come and say to CHI Middle East, " We need a talent from you to take him to Malaysia because now we have a vacancy in Malaysia, and we'd like to consider someone from Middle East." Or they will come to us and say, " We are having now someone from CHI Japan, and we want him to have an exposure in Nestle Middle East." This is where the network of the pool will be observed from the centralized headquarters in Vevey and would direct the relation to the zone heads".

CH1 is a Swiss MNC that sells food and beverages. The code of conduct is shared internationally and is strictly respected. However, several clauses were reinforced in the Lebanese subsidiary. Recruitment and selection methods are not standard and were amended in the Lebanese subsidiary while respecting the general guideline of the company. The MNC has a standard training manual with a standard curriculum. Local programs are conceived if needs arise. The performance appraisal system is not standard across all CH1 subsidiaries. Compensation and benefits are fully adapted to the Lebanese market. The MNC controls the subsidiary through key performance indicators and reporting. The strength of the Lebanese subsidiary is the human capital.

CH2

1. The company

CH2 is a holding company engaged in the hospitality business comprised of gastronomy, hotels and wine. The company primarily operates in Central Europe and the Middle East.

The Group's operates through four business units which include: hotels and resorts, restaurants, Marché International and wine.

The Group's hotels and resorts business operate with 4- and 5-star resort hotels. The business includes 55 hotels and 13,274 rooms in 20 countries. The unit primarily operates in Europe, the Middle East and Africa.

Under the restaurants business unit the Group offers CH2 classic dishes with a range of local and seasonal food for the whole family. The unit is a full-service gastronomy primarily operates in Germany and Switzerland.

The Marche International offers two restaurant concepts Marche and Cindy's Diner. The business unit operates in Switzerland, Germany, Austria, Slovenia and Norway.

CH2 Wine imports its wines directly from producers and sells most of its products directly to private buyers. The unit operates under the name Weinkeller outlets in Switzerland and Weinland in Germany, a direct mail service and online shop. Through the fine foods division, the company licenses food products.

2. Human resource practices in the Lebanese subsidiary

a) Code of conduct

At CH2, the code is also shared internationally. Employees have to read it and sign it. It is part of the induction package that every new hire receives. There are training programs set by the parent company to make sure that the employees understand and live by the corporate culture.

b) Recruitment and selection

The recruitment and selection process at CH2, the second Swiss multinational studied, is standard. The main sources used for recruitment are universities. CH2 Lebanon has a good networking with top universities in Lebanon. It maintains good relations with university deans and student affairs offices. CH2 also participates in job fairs held at universities. Another alternative is placing ads in newspapers for non-managerial and non-supervisory positions. As for managerial positions, there is a CH2 related website called Horisso where all managerial openings are posted in addition to posting on the intranet. The tests are also standard. There are two types of tests: the general knowledge test and the personality test which both come for Switzerland. Reference check is very strict especially for middle management positions.

The regional office doesn't interfere in the process. They just provide the subsidiary with tools needed. The HR manager stressed on the point that sources are not standard across CH2 subsidiaries. However, the tools and the processes of recruitment like interviewing and testing are standard.

c) Training and development

For CH2, There are standard training programs in addition to training programs conceived locally according to subsidiary's training needs. The training programs and budgets are decided by the subsidiary and then should be approved by the regional office. If the course is new, the training manager trains the trainer on that course and then the trainer can deliver the program at the hotel. Concerning managers, CH2 has its own a corporate university called MBA (CH2 Business Academy) whereby managers get training courses according to their positions. The higher the position, the higher the level of training courses managers will get.

d) Performance appraisal

The human resource manager at CH2 explained that performance appraisals are developed at the parent company. A standard scheme is adopted. The employee appraises himself first and

then he has to sit with his supervisor or manager and they discuss it. They then agree on the plan for the following year and it is signed by both. It is sent to the human resource department for monitoring. For every person, his rating is recorded and a tracking sheet for the performance appraisal is kept in records to decide which type of training the employee needs. Depending on the position and the function of the person, a specific training program is conceived which is the outcome of performance appraisals.

e) Compensation and benefits

Compensation and benefits are set according to local laws and market. By law, the subsidiary should provide employees with social security and insurance. Packages change for expatriates and they are adapted to the standards of living.

3. Standardization versus adaptation

CH2 is the second Swiss multinational studied. Contrary to CH1, CH2 could adapt the content of the code which is issued by the head office but is adapted to the subsidiary. A common theme with CH1 was evoked by the human resource manager of CH2. However, it is completely the opposite. At CH2, the employment of relatives is forbidden and it is clearly stated in the code. The human resource manager of the Lebanese subsidiary asked the parent company a change of this clause because she believed that referring a relative to a position in CH2 is a clear proof that the employee is loyal, believes in his company and wants his beloved to share the experience of working at CH2. The human resource manager said: *“The operating standard manual says that they prefer not to employ relatives. When I became HR manager, I found it totally against my principles. If I’m an employee in CH2 and I love CH2, I should be its first ambassador and I should be able to refer people and to attract people. So that was one of the policies I amended and I defended my position. So an employee should be able to refer a relative as long as they don’t work in the same department. I am applying it now”*. The human resource manager also talked about political instability in Lebanon. She mentioned that she always sends reminder e-mails whenever political discussions become hotter. This is a specificity of Lebanon not found in other subsidiaries in the region.

CH2 doesn’t have standard sources of recruitment across subsidiaries. The Lebanese subsidiary of this multinational meets with previously studied multinationals in the adaptation of sources to the local context (universities, job fairs, headhunters). The human resource manager stressed the fact that the Lebanese subsidiary maintains a good networking with top universities in Lebanon mainly with deans and student affairs offices. However, tools and the

process of recruitment and selection like interviewing and testing are standard. CH2 Lebanon has then chose to adapt part of its whole process which is the choice of sources and chose one that is relevant to the Lebanese context but decided to keep the tools (interview and tests) as standard. The human resource manager affirmed that the regional office doesn't interfere in the process but provide the subsidiary with tools needed such as interview guidelines and tests.

Concerning training and development, the human resource manager states: *“Training is standard but it is adapted to the Lebanese subsidiary and to all other subsidiaries. We have the standard training that you have to have but also you have your analysis to recognizing training needs so that you have your own trainings accordingly”*. This statement explains the whole situation at CH2. The subsidiary has a certain guideline that should be respected while recognizing local needs and acting accordingly. The HR manager states further: *“CH2 has a common guide for human resource management called the Operating Standard Manual which is general to all CH2. It includes the policies related to H.R in addition to forms (performance appraisal), and procedures (training). But, it was decided in the last conference held that these guidelines should not be followed strictly. There is a certain degree of freedom left to the subsidiary”*.

The human resource manager talked about the adaptation of forms used for appraisal. She affirms: *“Forms come in English and Arabic for countries of the Middle East”*. She further explains that using the local language in such forms prevent any misunderstandings or wrong translations.

Compensation and benefits are fully adapted locally.

4. Headquarter- subsidiary relation

a) Control and coordination

The parent company in Switzerland is involved in decision-making. It provides the subsidiary with guidelines and standards which should be followed and abided by. However, internally, there is a certain maneuver in terms of decision making at the operational level.

The subsidiary communicates with the parent company through the intranet system through which the subsidiary can be updated on daily basis through messages sent by the headquarters in Switzerland. The communication is more frequent with the regional office located in Dubai which serves as a link between the Lebanese subsidiary and the head office. However, in some cases, the subsidiary could communicate directly with the parent company without

passing through the regional office. The subsidiary presents monthly reports to the regional office. Once a year, a conference is held in the regional office. As for the level of formality in communicating, the human resource manager assured that the regional and the headquarters are very supportive, very flexible and very accessible.

The main control tools used to control the subsidiary are the information system and the reporting. Another control mechanism is the organizational culture. The parent company makes sure that employees understand and live by the corporate culture through training programs. There is also another training program that focuses on standards which must be well-understood by employees. Once a year, an auditor from the regional office visits the subsidiary to make sure that the subsidiary is compliant. In the case of human resource department, it is the regional director of HR who audits the HR department of the Lebanese subsidiary.

The table below summarizes the control and coordination mechanisms of CH2:

Table 46: Control and coordination at CH2

Reporting to	Regional office in Dubai
Information system	Intranet system linked to parent company
Reporting	Monthly reports
Conferences and visits	Yearly conference in regional office
Compliance officer	Once a year, an auditor comes from the regional office to ensure the compliance of the subsidiary
Main control tools	Reporting

(Source: Developed for this study)

b) Perceived uniqueness of the subsidiary

The subsidiary is perceived as a hub for human capital. It has a central role in supplying qualified employees to other subsidiaries in the region in addition to training employees whenever a new subsidiary will be newly implemented in the Middle East. The human resource manager states: *“Actually in the region they count mainly on us to provide them with qualified skills and human resources, either to train or to assist in the opening of other hotels; I’m sure we have or we try to attract the best quality of human resources, but I know from feedback that we are considered number one in terms of human capital. Like I said whenever there’s an opening or whenever there’s a task force or the need for somebody to be trained, a hotel or a department we are to provide that”*.

c) Innovation and trust

The human resource manager explains about an innovation launched by the Lebanese subsidiary. It was adopted by the parent company and was shared by other subsidiaries in the world. She explains: *“We had a training manager, who left later, she created a training called the Wheel of Fortune. And it was about knowing your product. And it consisted of a competition between departments, under the form of a wheel of fortune, and it created a great atmosphere in the hotel. It was so successful that the parent company adapted it to other hotels as well”*.

CH2 is a Swiss hotel company with subsidiaries all over the world. The code of conduct is shared internationally and should be signed by all employees but several clauses were adapted to Lebanon. Recruitment and selection is standard with no interference from the regional office which only provides the subsidiary with the necessary tools. Training programs are standard with other programs conceived locally according to subsidiary's needs. Performance appraisal is a kind of management by objective and is standard across subsidiaries. Compensation and benefits follow the Lebanese market. The parent company controls its subsidiary through reporting and the information system. The Lebanese subsidiary is considered a hub for human capital.

5.3 Conclusion

This section has presented the ten MNCs studied in a descriptive way giving a brief introduction about the MNC (further details could not be provided for confidentiality purposes), presenting the different HR practices implemented in the Lebanese subsidiaries, describing the relationship between the parent company and the subsidiary and finally tackling the standardization-adaptation dilemma which will be further explained and analyzed in the next chapter 6. MNCs varied across HR practices and methods implemented, the level of standardization of these practices and the control and coordination mechanisms used. It is not the aim of this chapter to answer why and how these HR practices were possibly adapted in the Lebanese subsidiary. This chapter aimed at building and describing ten case studies which will be further analyzed in the next chapter.

CHAPTER 6: ANALYSIS OF CASES -UNDERSTANDING THE ADAPTATION PROCESS

This chapter aims at comparing the ten cases in order to find general tendencies, similarities or differences among these cases. The analysis is conducted with harmony with the four research issues identified in chapter 2. This chapter also links the findings and the analysis of the cases with the literature of chapters 2 and 3.

6.1 Research issue 1: “IHRM approach”

6.1.1 Analysis of data on research issue I

This section analyses the data collected with respect to the research issue 1 which examines the IHRM approach that the MNCs studied employ when transferring their human resource policies to the Lebanese subsidiaries. It is important to note that the data was collected through interviews with the human resource managers of the subsidiaries and not at the regional offices or the parent companies. The answers and the explanations provided by the human resource managers interviewed could give an idea about the MNC’s IHRM approach. The research issue 1 investigates:

“Which IHRM approach do MNCs headquarters versus subsidiaries currently follow along a continuum from exportive to adoptive and integrative approaches?”

To better understand which IHRM approach is used by MNCs, it is essential to understand the HR policy decision body in the MNC. For the ten multinationals studied, there are central human resource departments at the parent company or the regional office where human resource practices are conceived and decided upon. The table 47 below compares the ten multinationals in terms of decision making concerning human resource policies:

Table 47: Decision making in MNCs

MNC	Explanation	Human resource manager quote
AM1	Policies are given by headquarter and implemented by subsidiary. Sometimes the local team proposes a strategy (Collaboration)	<i>It is more than a collaboration, it is not that the global team sets the strategy and we execute, in many cases the local team proposes the strategy and in some cases we have different local strategies because they might say that in this area they have a specific need to be tackled on a different basis.</i>
AM2	Policies are given by headquarter and implemented by subsidiary but best practices are shared sometimes	<i>You have the general guidelines, a general framework where you can move freely but inside the framework. You have one culture, a world-wide culture; the difference between the territories comes from the differentiations in the market. You have a set framework, and you can move within this framework.</i>
AM3	Policies are given by headquarter and implemented partially by subsidiary with a certain margin of flexibility	<i>Lots of things are still centralized in AM3, like marketing for instance. We don't do it here. We get our marketing tools and everything from the parent company. We just customize them, or we launch them, we send them to our distributors. From that perspective, nothing is really done locally. From Marketing to H.R, we have excellent tools and systems in AM3, globally</i>
AM4	Policies are given by headquarter and implemented in the subsidiary	<i>The policy is set by the head office but we decide upon the operations</i>
FR1	Policies are suggested by headquarter but finally decided in the subsidiary with the headquarter being up-to-dated	<i>Paris is involved in the decision making process even if they tell us, "It's up to you to decide. We have to inform that we've been doing so and so.</i>
FR2	Policies are suggested by headquarter but finally decided and modified in subsidiary	<i>They will help and give some ideas. I don't have to go to the headquarter to ask the permission. If I need the support or an advice, yes I will do.</i>
UK1	Policies are given by headquarter and implemented in the subsidiary which can give suggestions	<i>The decisions are made by the leadership team for the Zone which constitutes of the GM and the Heads of functions</i>
UK2	Policies are given by headquarter and implemented in the subsidiary	<i>Operational decisions are taken in Lebanon whereas strategic ones are taken in the UK and in Egypt.</i>
CH1	Policies are given by the headquarter and the regional office but the subsidiary has to make them operational	<i>We do tactical decisions at local level and the strategic decisions are done to a certain extent in Dubai, and to a bigger extent at SBU (Strategic Business Unit) which is based in Switzerland as well</i>
CH2	Policies are given by the headquarter and the regional office but the subsidiary has to make them operational	<i>They (Switzerland) provide us with guidelines. We have certain standards we have to abide by; we have certain guidelines we have to proceed with. However internally we are very flexible in terms of decisions.</i>

(Source: Developed for this study)

From the above table, it is clear that HR policies and practices are made at the headquarter or the regional office of the multinational companies studied. For the French multinationals FR1 and FR2, there is a margin of flexibility. Although policies and practices are suggested by the parent company, these policies could be modified or decided locally. The human resource manager of FR2 states: *“We are not mail boxes in the subsidiary, we don’t only receive orders, and we participate in decision making”*. He further clarifies that the subsidiaries all over the world participate in the conception of these policies during annual conferences. For the second French multinational FR1, the human resource manager clarified this issue by stating: *“The policies and practices are prepared in Paris, we are free to apply fully or partially these practices but we have to keep them updated”*. He further explains that some specific practices like for example Training are being conceived in Lebanon, although it is not the regional office and diffused across the region including the regional office in Dubai. He considers that Lebanon has an advantage of knowing the culture of the region besides being able to conceive programs of quality.

For the two Swiss multinationals CH1 and CH2, policies are conceived in the headquarter and then the subsidiaries are left with the task of making them locally operational which sometimes causes some problems. The human resource manager of CH1 gave an example of a transferred policy that was not operational in CH1 Lebanon. CH1 global has a policy of treating all employees whether internal or external employees in the same manner. CH1 explains that sometimes the company uses the services of an external company like for example a security company. The employees of this external company should be paid, according to CH1 policy, similarly to employees of CH1. This policy has caused a problem with these external companies which refused to pay these levels of salaries. After negotiation of this policy with the headquarter, the policy was adapted so that it could become more operational in Lebanon. As for CH2, policies are implemented in a more flexible way.

While conducting the second interview at CH2, the human resource manager showed the researcher a guideline about HR policies and practices at CH2. She was underlining, scratching and amending certain clauses. When the researcher asked about these modifications in the guideline, she answered by saying: *“They are very flexible, look!: they let me change or eliminate what is not suitable for the subsidiary”*.

As for British multinationals, policies are also initiated in the headquarter and implemented strictly in the subsidiaries with a small amount of democracy given to these subsidiaries by allowing them to give their suggestions which might be taken or not into consideration. As for American multinationals, policies and practices are also initiated at the parent company and implemented in subsidiaries but with sometimes a different concept than other multinationals. The concept of “best practices” is found in AM2 and slightly in AM1 where the subsidiaries all over the world can share best practices and these practices could be taken into consideration when conceiving global policies and practices.

In summary, it could be said that multinational companies headquarters’ role is to conceive global policies and practices, prepare guidelines, build information systems where all processes are explained. The control mechanisms vary from one multinational to another. The main control mechanism is reporting with compliance officers (for American MNCS) and auditors (for European MNCs) checking regularly whether these guidelines are properly followed and whether the policies and practices are implemented. However, when it comes to implementation, subsidiaries either implement without modification, modify to make these practices more operational or simply suggest changes without the power of modifying. In all cases, policies and practices are exported to subsidiaries. In brief, the human resource policy formulation on a strategic level is carried in and by the headquarter in an exportive way.

The next question is to find out how free are the subsidiaries in applying and adapting these practices.

The table 48 below summarizes the subsidiaries' freedom to adapt policies:

Table 48: Subsidiaries' freedom to adapt policies

MNC	Explanation	Human resource manager quote
AM1	Subsidiary has no freedom to adapt the policies but policies were conceived collectively so no need for adaptation.	<i>I think for core HR practices, it is the same everywhere. there is an alignment process to make sure that this is tailored and it is not a one man decision, it is a team work and we make sure that any initiative applied complies with the diversified community at AM1</i>
AM2	Subsidiary cannot adapt easily the practices but could adapt the implementation	<i>The core of the business is standardized, technically they are not standardized</i>
AM3	Subsidiary can adapt and sometimes have to make own policies due to lack of communicating corporate standards and wants more input from headquarter	<i>Those tools are available but they're not properly communicated; now we're starting to properly communicate them. I used to stumble upon those things by coincidence while surfing our intranet. And they are really excellent</i>
AM4	Subsidiary has no freedom to adapt, it is bound by the rules from the headquarter	<i>We have to follow the rules.</i>
FR1	Subsidiary is free to adapt several policies and practices while respecting the guideline	<i>We have like certain flexibility that we can adapt.</i>
FR2	Subsidiary is free to adapt the policies and practices according to local needs and the labour law in the country	<i>We have guidelines, general, we have to use the guidelines but adapt them to the internal rules of the country. We have to be aligned and comply to the rules of the country. Whatever the guidelines are, they should be adapted to the labor law in the country.</i>
UK1	Subsidiary cannot adapt easily but there are exceptions specially if the policy breaks the local labour law	<i>It's not about just applying the policy as is. It's about whether it makes sense. The law should take precedence over whatever the internal policy is.</i>
UK2	Subsidiary cannot adapt easily, it is bound to the rules of the headquarter	<i>We have to follow the guidelines, we could adapt the implementation not the policy</i>
CH1	Subsidiary can adapt according to what is allowed to be adapted locally in the guideline	<i>There are very clear guidelines of what could be decided from here, there are certain parameters, there are things that we standardize, and there are things that we adapt locally.</i>
CH2	Subsidiary is free to adapt while respecting the guideline which serves as a general framework	<i>Usually when they decide upon a new policy, policies related to H.R like recruitment policies or performance appraisals, those are formulated by the Head office. But definitely we have the flexibility to have our own policies internally. We have the flexibility to amend it as we see fit in our culture and in the country where we operate.</i>

(Source: Developed for this study)

From the above table, it could be noted that subsidiaries of American multinational companies cannot adapt easily the transferred human resource practices and policies. For AM1, there is no inability to adapt but instead there is no need to adapt. According to the human resource manager of the Lebanese subsidiary of AM1, the human resource policies and practices were conceived and tailored by teams constituted of members from all across the globe. It is not an individual who have put these policies and practices, they have been conceived collectively. For AM2 and AM4, the adaptation is more difficult. The only adaptation possible for AM2 is in the implementation part or what the human resource manager calls the “technical side of the practice” that could be adapted. As for AM3, it is an exception.

There are global practices and tools transferred by the headquarter but there is a lack of communication between the subsidiary and the parent company on the use of these practices. The human resource manager at the Lebanese subsidiary of AM3 expressed her will and motivation to use these practices in the subsidiary and she used the word “excellent” to describe the tools available. However, due to this lack of communication, the subsidiary has used its own policies and practices but wishes to get more input in the future for the headquarter.

As for British multinationals, subsidiaries cannot adapt easily unless the policy or practice is in contradiction with the local labour law. The human resource manager of UK1 has given an example about when they were obliged at the subsidiary to adapt a practice. She explains: *“Global policy dictates that the employee has to take their leave, the yearly annual leave within the calendar year. They can only, if after March the second day they haven’t taken them, then they will lose them. If you look at the law here, Lebanon, the law states you can use them over two years. You can accumulate them over a period of two years. So, we’ve put a note as an exception because the law should take precedence over whatever the internal policy is”*.

As for French multinationals, FR1 and FR2 have to freedom to adapt their policies and practices according to local needs and to the internal laws of the country. FR2 has a greater freedom of adaptation than FR1 whereby the subsidiary could initiate fully-adapted or locally developed practices after taking the approval for the budget from the headquarter. These practices will be discussed later in this study. For FR1, there is also the ability to adapt while staying in the general framework of the company. As for the Lebanese subsidiaries of the two

Swiss multinational companies studied, adaptation is possible. However, this adaptation is organized. In other words, the guidelines set by the company states clearly what could be adapted or modified by the subsidiaries. It is less flexible than the French multinational companies but still subsidiaries have a certain maneuver when it comes to adaptation of policies and practices.

In brief, the levels of freedom of adaptation allocated to subsidiaries vary from one multinational to another and according to nationality. For all ten subsidiaries, the common trait is that the human resource policies and practices are translated from a strategic level to operable practices is performed in and by subsidiaries with varying margin of freedom allocated to these subsidiaries.

As for the integration of country or subsidiary best practices in the formulation of corporate policies, the table 49 below summarizes the findings for the ten subsidiaries studied:

Table 49: Integration of country best practices in corporate policies

MNC	Explanation	Human resource manager quote
AM1	A best practice system to ensure efficiency across the globe	<i>it is part of the work done in the organizational survey, because as I told you it is done by function so you might find that this indicator which is an HR indicator ranked the highest in the near east region, so they will see what are the initiatives that the near east applied to reach these best in class results. It is reapplied across the company so we have to make sure that it was reapplied properly. We have a certain forum where we exchange knowledge, success models in order not to have any redundancy or inefficiency in our system</i>
AM2	NA	NA
AM3	Not yet well-established, in the future, a system will integrate best practices.	<i>For instance we are doing the internal procedures or internal BCS and we shared them with South Africa and Turkey, if they want to see them or add some things to them, etc...We're trying to use best practice sharing because really this was missing before.</i>

AM4	A well-established best practices system available through an information system and communicated to employees through a newsletter. Employees share ideas through workshops.	<i>We have newsletter where we share our news and contributions. The flow of information is easily spread and we have an HR web where we take all the information we need. We put and extract what we need from this web. There is a chairperson who initiates ideas and topics and at the end we adopt best practices in other offices and we exchange our ideas. We have also workshops where we give our ideas</i>
FR1	The guideline is built on best practices but not clearly established system to add or share best practices	<i>I told you we follow guidelines which are best practices, so if it's a best practice, if it is applicable to Lebanon, we do it. If it's a best practice but it is not applicable to Lebanon, we try not to do it</i>
FR2	Best practices are shared during meetings and directions are set accordingly	<i>We have scheduled meeting every year, at least twice per year at the intercontinental headquarter, we meet all together, in an official meeting and we put the directions for the next year and we share our best practices. It is a learning session and sharing best practices.</i>
UK1	A well established information system to add and share best practices	<i>We have a set of policies coming from the global; we have intranet where we put our best practices</i>
UK2	Not yet established, future system will integrate best practices	<i>We are working on a knowledge management project where best practices could be posted.</i>
CH1	Well-established best practices system. The Lebanese subsidiary didn't add any best practice for the moment.	<i>Yes, we have our own intranet constant update on what are best practices from Peru to Japan. We have a site CSA whereby you post your best practices, and this site has been established since almost a year. Until now we cannot claim that CH1 Lebanon has posted its best practices yet. Hopefully we will some time, but up till now no.</i>
CH2	NA	NA

(Source: Developed for this study)

From the above table, it could be said that almost all the multinational companies studied have a platform and process for best practice sharing that is available to subsidiaries in Lebanon. The ways these best practices are shared vary from one multinational to another. For AM1, AM4, UK1 and CH1, well-established and dynamic best practices systems are established whereby best practices could be added, consulted and shared. Subsidiaries can add their own best practices on the system which is not a “read-only” system, it is a dynamic one. Subsidiaries could consult these sites to see what is being done in other subsidiaries and to learn from success stories and possibly benchmark these practices. AM4 reinforces the shared best practices awareness by employees through communicating these best practices in newsletters distributed to employees in the subsidiary. As for FR1 and FR2, the best practices

are shared during conferences which are “learning and knowledge sharing conferences” and directions, objectives and guidelines are set accordingly. As for UK2 and AM3, the human resource managers explained that the multinational companies are working on a project to share knowledge and best practices across subsidiaries.

The main finding of this research issue is that the decisions regarding strategic policies are taken in the parent companies of the ten subsidiaries studied i.e. in an exportive way. However, MNCs expect that the subsidiaries to translate policies into operational practices within certain guidelines and with varying degree of freedom to adapt practices. The degree of freedom remains limited for American and British MNCs where the IHRM approach remains exportive whereas for Swiss and French MNCs the IHRM approach becomes more adaptive.

6.1.2 Summary of findings on Research Issue 1 put in context with available knowledge

This section discusses the findings of this study with respect to research issue 1 and compares them to the existing literature. The research issue investigates:

RI1: *Which IHRM approach do MNCs headquarters versus subsidiaries currently follow along a continuum from exportive to adoptive and integrative approaches?*

During the data collection phase, information was gathered through several questions of the interview guide to know how human resource policies are decided within the MNC, to what extent the subsidiaries had the freedom to modify or adapt these policies and whether the expertise of the subsidiary is integrated into the headquarter through best practices. The main finding is that human resource policies are all conceived in the headquarter and then transferred to subsidiaries to implement them. According to the level of freedom allocated to subsidiaries, these subsidiaries were either “implementers” of these standard practices or were somehow allowed to make these practices operational or even adapt these practices. Differences were found among the MNCs studied based on the nationalities of these MNCs. American and British MNCs are strictly exportive, giving little freedom to their subsidiaries to adapt or modify the transferred policies and practices. On the other hand, Swiss and French MNCs are also exportive in the sense that policies and practices are conceived in the headquarter and transferred to subsidiaries. However, due to the higher degree of freedom allocated to their subsidiaries, these subsidiaries are left with the task of making these policies

and practices operational. Making practices and policies operational requires in most cases some adaptations and modifications that will be discussed in section 6.2.1. These MNCs become more adaptive for certain practices that they consider as more “local” and remain exportive on practices that are considered “corporate or strategic”. As for best practices integration, and although there are differences among MNCs IHRM approach, all MNCs studied have to a certain extent a “best practices system”. However, the objective behind the integration of these best practices is not the same among MNCs studied whereby human resource managers have different perceptions of the subject. For the American MNC AM1, the system ensures efficiency across the globe. Moreover, the human resource manager, when asked about possible resistance to certain policies and practices, considered that the whole system is built on “best practices”, a kind of collaborative system whereby the need to adapt is not necessary. For the French MNCs, there was no formal system and the only medium used to exchange best practices are yearly conferences held at the headquarters. These discussions are useful according to the HR manager in FR2 to put strategies for the following year. However, it should be noted that human resource managers in the nine MNCs studied (except for AM1) didn’t see the need to have their best practices incorporated in the headquarter policy and guidelines and consequently don’t push headquarters towards best practices integration. This passive reaction from the human resource managers could be explained by the negative perception they have about the local human resource management practices (“*It is still a hire and fire function*”, “*no motivation tools*”, “*HR is still seen as a secondary function*”) and thus the fascination they have for “Western” HR practices which they see as effective (especially American MNCs).

The literature on this issue confirms that MNCs take decisions for subsidiaries either in the headquarter or in the subsidiary (Adler,2001; Briscoe,1995; Rugman & Hodgetts ,2000; Schuler et al., 2002). The findings of the research issue 1 confirm the literature when it comes to the ten MNCs studied whereby HR policies decisions are taken in the headquarter and then decisions on how to translate these policies into operational are made between the headquarter and the subsidiary. However, the findings of research issue 1 also show some opposite results to the existing literature about IHRM approaches. The researchers in the field of IHRM consider that an MNC can be either one of the three IHRM approaches: exportive, adaptive, integrative (Briscoe 1995; Dowling et al.,1999; Taylor et al.,1996). However, the findings of the study suggest that MNCs could have different approaches according to how important the policy or the practice to the MNC strategically. Some HR issues are pushed by the

headquarter in an exportive way while seeking or accepting an adaptive approach for other issues. For example, performance appraisal seems to be a practice pushed by the headquarter to be implemented as is. The reason behind this approach is the strategic importance of this practice for the MNC. As the regional human resource manager at the headquarter of CH1 explained, performance appraisal should be applied strictly in a standard way to be able to manage effectively talents which is also centralized in the headquarter. He considers that applying different performance appraisal systems across subsidiaries will create an inconsistency and therefore a difficulty in putting “the right person in the right place”.

As for compensation and benefits, MNCs are more adaptive and don't push any practice from their headquarters. On the contrary, MNCs encourage an adaptive approach whenever the practice is extremely regulated by the labor law of the country or the characteristics of the local market (competition, labor market). The human resource manager of AM1 who was very strict about the application of standard practices across the globe, considered that the MNC aims not to violate the local laws when it comes to compensation and benefits. He states: *“It is part of the AM1 strategy, some things are localized and others are done on global basis. Our people systems for example are global, so the recruitment system that you find in Lebanon is the same as in the US. We have things tailored to the local market like for example the compensation and benefits system. You have to be compliant to the local labor law. Whenever you have any local restriction, you have to comply”*. This statement was replicated in many forms in all 10 MNCs.

The findings confirm the theory that MNCs tend to chose the IHRM approach that best suits their company's HR strategy for managing the dilemma between integration or internal consistency and differentiation or external consistency (Dowling, Schuler & Welch, 1999). The main contribution of these findings is that MNCs could use simultaneously different IHRM approaches depending on the “strategic importance” of the policy or practice. However, it is important to note that Harris and Moran (2001) have mentioned that MNCs could use different IHRM approaches according the group of people the practice is targeting. For example, the selection of senior managers tend to be “exported” from the headquarter. When HR practices are designed for higher and senior level managers, they will probably encounter a need for consistency worldwide, either by exporting the HQ's approach or by an integrated approach for this employee group. The findings of this study confirms the literature whereby all human resource managers interviewed assured that the MNC's parent company

interferes only in the recruitment and selection of senior managers, and managerial training programs are standard.

This finding will help to understand why some HR practices were adapted and others remained standard which was investigated in research issue 2.

Concerning best practices integration, the literature confirms that even though MNCs tend to ensure that HR best practices of subsidiaries are integrated in the formulation of policies in the headquarter, these “best practices” are not integrated in reality in the headquarters policy (Adler ,2001; Briscoe ,1995; Kostova ,1999). This could not be confirmed by this study. However, it should be noted that that several MNCs studied have a well-established system while others are working towards putting platforms and processes in place. The results are not yet visible and several human resource managers interviewed could not even tell us of any best practice added by the Lebanese subsidiary. This intention of having integrated best practices, even if not formally established, confirms the literature which have linked the process of internationalization of MNCs to the integration of best practices (Adler, 2001; Briscoe, 1995; Fisher & Haertel, 2003; Nankervis et al.,2002). The findings also show that there is sometimes a mental dependency of the subsidiary on the headquarter (Covey, 1990) which wishes more guidance from the headquarter but at the same time seeking for more independence. A perfect example might be the statement of the human resource manager of AM3 when asked about transferred practices: *“Those tools are available but they’re not properly communicated; now we’re starting to properly communicate them. I used to stumble upon those things by coincidence while surfing our intranet. And they are really excellent. For instance we have a rewards and benefits website, another one for talent management, and for performance management, with their tools and systems, which I didn’t know about until recently. It’s the fault of the organization, not here, abroad [...]we ask them to support us more”*.

In brief, the findings of research issue 1 suggest that MNCs apply an exportive approach on the strategic level. MNCs tend to become more adaptive when there is a necessity to make policies and practices operational. However, even among the most exportive MNCs (American MNCs), an adaptive approach was used to “comply” with the local context. MNCs remained exportive when the policies and practices are “strategic” to the company or are related to a certain group of employees, for example senior managers’ recruitment, selection and training. The findings confirm the view that IHRM establishes itself as the business expands rather than being actively chosen or designed by the MNC (Napier & Vu, 1998; Roberts, 2000).

6.2 Research Issue 2: “Which HR practices were adapted?”

6.2.1 Analysis of data on research issue 2

This section analyses the data collected with respect to research issue 2 which examines which human resource practices were adapted in the ten Lebanese subsidiaries of the American and European multinational companies studied. The research issue investigates:

“Which human resource practices were adapted?”

To answer this research issue, this section will be based on analyzing each of the five human resource practices identified in chapter 5 when each multinational was presented separately. The human resource practices are: code of conduct, recruitment and selection, training and development, performance appraisal and compensation and benefits.

6.2.1.1 Organizational culture/code of conduct

Human resource managers of Lebanese subsidiaries were all asked to describe the organizational culture at their subsidiaries taking the code of conduct as a main indicator for the strength of the corporate culture in their subsidiaries. They were asked to explain how employees show their acknowledgement of the code, the methods used to make sure that employees are compliant and whether or not such a culture is being accepted as it is being transferred from the parent company or whether there are some adaptations to the Lebanese context. Answers varied across the subsidiaries as to the tools used to apply the code and to make sure that employees have understood and accepted its content. Answers also varied as to the possibility of adapting the content and/or the implementation of the code in the Lebanese subsidiary. In this part, the aim will be to show whether the MNCs have tempted to adapt the codes of conduct transferred from their parent companies and to what extent.

After studying the ten multinationals, some adaptations were observed but at different levels and degrees, explicitly or implicitly, formally or even informally. The table below summarizes the description of the code of conduct and its possible adaptations for the ten multinationals:

Table 50: Cross-case analysis of adaptations of codes of conduct

MNC	Devices of codes of conduct	Degree of standardization of the content	Speech of HRD	Themes of adaptations to context	Type of adaptation
AM1	Obligatory Signature, Training and test online, compliance officer, hotline	Standard Strict	<i>Strict respect (« bible »)</i>	No themes mentioned but possible interpretations mentioned	Code conceived collectively, diversity leveraged, no need for adaptation of content or application (anticipated adaptation)
AM2	Obligatory Signature, Training and test online, compliance officer, hotline	Standard Strict	<i>Strict respect (« sanctions »)</i> <i>Adaptation desired</i>	Harassment / personnel questions No politics at work	Code content not adapted, adaptation of the living of the code, application of procedures specific to Lebanon (politics at work)
AM3	Obligatory Signature, Training and test online, compliance officer, hotline	Standard « regional »	<i>Strict respect (« bible »)</i>	Sexual and social harassment, Corruption. No employment of relatives (not on papers)	Code content not adapted, adaptation of the living of the code (interpersonal relations)
AM4	Obligatory Signature, part of an induction package	Standard Strict	<i>It is a unique template shared internationally, no possible adaptation</i>	None	Code content and application untouched and consistent but application is “friendly”.
FR1	Obligatory Signature	Global code of conduct	<i>The code is applicable but employees might have different perceptions</i>	Themes mentioned : Acceptance of gifts (proactive measure)	No adaptation of content but of implementation, use of common sense
FR2	Obligatory Signature, Evaluation of supervisor with bonus linked to themes of the code	Flexible global standard (somehow geocentric, all subsidiaries participate)	<i>Strict respect (« bonus »)</i>	Sexuel harassment; social harassment (personnel questions ; racial and sectarian discrimination)	No adaptation of content but adaptation of implementation (taking into consideration new forms of discriminations)
UK1	Obligatory Signature	Standard strict	<i>Strict respect</i>	No themes mentioned	None, the application is more “friendly”

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UK2	Obligatory Signature, Training and test online	Global standard, adapted and reinforced for the Lebanese subsidiary	<i>Strict respect (especially sections added)</i>	Ethnic, political and religious discrimination; Corruption	Adaptation of content through addition of other forms of discrimination
CH1	Obligatory Signature, control by the local management	Global standard, adapted and reinforced by the management of the Lebanese subsidiary (somehow polycentric)	<i>Strict respect (especially added sections)</i>	Corruption and regulation of gifts ; recruitment of family members forbidden	No adaptation of content but adaptation of implementation (strict application of certain clauses)
CH2	Obligatory Signature, no training, little control	Global standard negotiable locally (somehow polycentric)	<i>Less controlled respect (not an important challenge)</i>	Employment of relatives Political discussions at work (reminder e-mails)	Adaptation of content (amendment of the clause about employment of relatives)

(Source: Developed for this study)

For AM1 the code of conduct is unique in all subsidiaries of the group and corresponds to a catalog of behaviors in different professional situations. New recruits are required to study this catalog through an “online” training and then tested on the content of the code. There is a global monitoring service that periodically ensures that the subsidiaries as well as employees respect the code of conduct of the multinational. The human resource manager interviewed considers that the code is standard and applicable as it is in Lebanon because all clauses are designed in a way that makes them applicable everywhere in the world. In his opinion, the transfer happens without complications due to the presence of a strong and homogeneous culture with a great respect for diversity and a noticeable vigilance for discrimination and harassment issues. He evokes without specifying the existence of a certain degree of possible local interpretation within the standards.

For the human resource manager of AM2, the code of conduct is a "Bible", shared internationally through the intranet. Every new employee, as part of the recruitment process, should take a test on the code of conduct, sign the code and becomes tied contractually to the explicit rules of the code. A person is officially responsible for the transfer of the code and other HR practices under the name of "compliance officer": She ensures that all employees have signed the code of conduct and insists to see all the supporting documents. Any deviation from the code of conduct may result in the termination of the contract. For this reason, it is strictly respected by employees of the subsidiary. However, the human resource manager confirms that some clauses of the code do not match the culture and the way of thinking in Lebanon (Carasco & Singh, 2003; Kaptein, 2004), or are not relevant to the Lebanese context, e.g. harassment or personal questions, and these clauses are interpreted locally in everyday life (Christie et al., 2003; Palazzo, 2002; Robertson and Fadil, 1999; Tavakoli et al., 2003; Vitell et al., 1993).

The human resource manager of AM3 has ensured that “the code is the Bible of the subsidiary”. Each newly hired employee participates in training sessions about the code and must certify that he/she has understood all of the terms of this code. According to the HRD, this code differs from one region to another. There exist three “business conduct standards”, one for the United States, one for the “International-West area” which includes Europe, the Middle East, Latin America and another for the “international – East” region which includes Asian countries and the Pacific. As in AM1 and AM2, a hotline is provided to all employees and is directly linked to the United States and each employee can directly report any violation

of the code, for example a moral or sexual harassment (Tavakoli et al.,2003). The human resource manager also stated that the Lebanese subsidiary has developed a code of conduct that she called “internal code of conduct” where several clauses were added and this code was shared with the Turkish subsidiary and the South African subsidiary.

As for AM4, where the code also should be signed, the human resource manager confirmed the impossibility of adapting the code of conduct while using the word “a friendlier application of the code”. When asked what she meant by “friendlier”, the human resource manager said that the application is more human and the violation of the code could not necessarily lead to termination of the employment contract as in AM2 (Helin & Sandstom, 2008). The employee is given a chance and warned about this violation.

Similar elements in the four companies (systematic signature, training, testing, hotline to USA, compliance officers and a control mechanism) are observable. On the other hand, AM3 is an interesting case since it is the only case where the international code was officially adapted to a region of the world, reflecting region-centric coordination mode of the corporate culture while the other two American groups seem to be rather ethnocentric in their mode of coordination.

For the French multinational company FR1, no adaptations are possible according to the human resource manager. However, the Lebanese subsidiary took a proactive measure to avoid problems related to bribery and corruption by reinforcing the clause about the acceptance of gifts (Whiteoak et al.,2006). The human resource manager clarified further that it is not always “by the book” that issues are judged, there is use of common sense to judge the ethical consequences of an act (Robertson et al., 2002). She was referring to the acceptance of gift issue.

For FR2, the group has a code of conduct that must be signed and understood by all employees. The new recruits must participate in a training program and are also tested on the code of conduct. A bonus system of the individual performance appraisal is linked to behaviors and values explained in the code of conduct. The Human resource manager stated that certain clauses do not correspond to the Lebanese context such as sexual harassment and racial discrimination (Carasco & Singh, 2003; Kaptein, 2004). He considers that the Lebanese subsidiary is granted a certain degree of freedom of maneuver by the parent company. In

addition, all practices are designed collectively through the annual conferences where all subsidiaries participate. According to him, this is a factor that facilitates the transfer process.

As for UK1, the adaptation is not possible. However, the implementation is more “friendly”. As with the case of AM4, when talking about the friendliness of implementation, it is a way of confessing that the code is being adapted in the implementation phase while the text remains untouched (Helin & Sandstom, 2008).

For UK2, as in all subsidiaries of multinational companies studied earlier, each newly appointed employee must understand and sign the code of conduct. The employee follows a course online and must pass a test on the code of conduct. The human resource manager, however, reported that despite the international character of the code, it was adapted to the Lebanese context for example for clauses related to discrimination and corruption (Arnold et al., 2007 ; Helin & Sandstom, 2008). This last clause has been detailed in the Lebanese version of the code and is closely and systematically monitored.

In CH1, employees must also sign the code of conduct clearly indicating their agreement to all clauses of the code. For managerial positions, the newly recruited employees must sign the code and the job description at the same time. There is no training on the code, but employees receive a manual of good conduct. Concerning the existence of conflicts as to the application of this code to the Lebanese context, the human resource manager considers that parent company grants to its subsidiaries a degree of freedom as to the adaptation of the code to the local context. The form and the content can be changed up to a certain extent after the agreement of the parent company. The Lebanese subsidiary has a margin of flexibility to adapt its practices and the code of conduct is not a real challenge to the human resource manager’s daily activities.

The code of conduct at CH2 is global and unique across all subsidiaries in the world. It is also signed by newcomers and violations to the code may be subject to sanctions. Despite the standard and the international nature of the code, two parts of the code have been reinforced in the Lebanese subsidiary and the subsidiary is stricter regarding the application of these parts. The first part includes clauses related to the acceptance of personal gifts, money or any type of services by employees which can be assimilated to corruption. The second modified

part deals with the recruitment ban for managers to recruit relatives or members of the same family.

There is a tendency to adapt the code in one of the following methods: modification of content, reinforcement of clauses and/or adaptation of implementation. These three methods were identified based on the interviews conducted with the managers. *The modification of content method* means that some of the clauses of the code were adapted after approval from the regional office or the parent company. *The reinforcement method* means that some clauses were applied strictly in Lebanon more than any other subsidiary without changing the content or touching the code of conduct. In both cases, there is a need for adaptation to the local context. The need for adaptation has two main reasons. The first reason is the irrelevancy of the clause as is in the code and thus there is a need to modify it to better respond to local specificities. The second reason is proactive in nature whereby the human resource manager at the subsidiary felt that a clause should be modified or reinforced to prevent a future problem or conflict. Behind the two reasons there are cultural stimuli that validate these reasons behind the modification of content or the reinforcement of some clauses. As for the *adaptation of implementation method*, it was used when it was impossible to modify or reinforce but where the implementation could be done differently and informally to adapt to local specificities.

6.2.1.2 Recruitment and selection

The second human resource practice studied is the recruitment and selection. The aim was to identify the main sources and methods used to recruit candidates and how the right candidate is selected later on. The human resource managers were asked to explain thoroughly their recruitment and selection policies and procedures. However, the aim behind collecting information about how subsidiaries recruit and select is to know in reality whether these subsidiaries follow a standardized recruitment and selection process transferred from the mother company or they had undergone some adaptations or maybe initiated some innovations. Answers were also varied across subsidiaries. Some human resource managers considered that the process is standard across all subsidiaries, others talked about a partially adapted recruitment process and others considered that recruitment was adapted to the Lebanese context.

Once more, this part aims at showing not how Lebanese subsidiaries recruit and select employees but whether these subsidiaries follow standard guidelines, policies and procedures transferred from the parent company whereby the same sources and methods should be used across all subsidiaries or they have a certain maneuver of adapting to the Lebanese local

context. Adaptations varied in importance and type from one multinational to another. The first category of subsidiaries was very firm about following exactly the same policies and procedures dictated by the parent company or even the regional office. The second category has standardized processes of recruitment and selection when it comes to methods but with adaptations of the sources. The third category of subsidiaries has obviously a high degree of freedom of action and uses its proper recruitment and selection procedures with very low interference of the parent and/or the regional office which is limited to headcount and budget approval.

The table 51 below summarizes the findings about the possible adaptations of the recruitment and selection processes:

Table 51: Cross-case analysis of adaptations of recruitment and selection

MNC	Description of process	Degree of standardization of the process	Speech of HRD	Themes of adaptations to context	Type of adaptation
AM1	Online system (all global positions posted), recruitment in campuses, questionnaire linked to success drivers, reasoning test, series of interviews (selection after voting of a committee)	Global Standard	<i>“When it comes to recruitment, the AM1 people system is global, the recruitment system is standard”.</i> <i>“It is part of AM1 strategy to have some practices be localized” (meaning the sources of recruitment)</i>	Partnering with key universities in Lebanon	Adaptation of sources of recruitment (recruiting done on campus)
AM2	Targeted selection (DDI) Set of interviews, strict reference check	Standard strict	<i>“There are no formal methods of recruitment but if any recruitment technique should be used, it should come from the home office and used across the region”</i>	None	None
AM3	Main sources of recruitment: distributors, word of mouth, newspaper advertising, contacts with key universities	Fully adapted, each subsidiary has its own practices, working towards a global on-boarding system	<i>“Each subsidiary has its own practices. In terms of employee on boarding, and employee orientation now we’re working on a task force to have a global on-boarding system because we felt it was lacking at AM3”.</i>	Partnering with key universities in Lebanon The distributors as liaison between the company and the market (specificity of AM3Lebanon)	Adaptation of sources of recruitment and methods. No clear guidelines from the parent company.
AM4	Main sources of recruitment: universities (students with high GPAs), CV s screened, preliminary interview, interview guide (questions about specific skills required), Test (English, Arabic, Accounting, Auditing)	Standard strict	<i>“ It is standard, no adaptations”</i>	Partnering with key universities in Lebanon Administration of Arabic test N.B: adaptations were not mentioned clearly when asked about adaptations but were embedded in the answers.	Adaptation of sources of recruitment Adaptation of language test administered
FR1	Methods: Interviews, tests. Main sources of recruitment: universities and job fairs “Campus management	Global standard, flexibility to follow fully or partially the guidelines.	<i>“In recruitment we have guidelines for recruitment [...] you’ve got after you do the recruitment or during the recruitment phase which is interviews, tests, whatever</i>	Partnering with key universities in Lebanon	Adaptation of sources of recruitment Adaptation of methods

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	system”, online recruitment system, head hunters used for some profiles		<i>it is you do during your recruitment phase. Now, we can follow and not follow any of those, but these are the guidelines set by the Zone for the best practices”.</i>		possible
FR2	Sources used: headhunting, unsolicited CVs and Internal referencing. Choice of person involved in recruitment process depends on the position of the candidate being recruited (General manager and/or HRM)	Fully adapted, decision is local	<i>“They will help and give some ideas, headhunting, and outsourcing but there is no rule and they don’t, this is local, it is the decision of the HR and the GM but mainly the HR. If I believe that for a position, for a CFO position to go through a head hunter, it is my decision. I don’t have to go to the headquarter to ask the permission. If I need the support or an advice, yes I will do”.</i>	Job fairs, internal referencing (strong interpersonal relations)	Adaptation of sources and methods as necessary.
UK1	Interview (guide based on capabilities requires), standard tests, standard assessment of CVs, assessment centers	Strict standard	<i>“Nothing is adapted but the subsidiary can innovate or adapt if necessary [...] you might find in different places that they use more tests or fewer tests”</i>	Partnering with key universities in Lebanon Number of tools used (Tests)	Adaptation of sources but not the process Adaptation of the administration of tools not the content Addition of psychometric test to reduce number of applicants.
UK2	Interviews, tests, internal posting, word of mouth, recruiting agencies, job fairs in key universities	Strict standard	<i>“The process is standard, it is the same everywhere”</i>	Partnering with key universities in Lebanon Tests done differently in Levant region	Adaptation of sources of recruitment (universities) Adaptation of one tool (aptitude test developed locally)
CH1	Unsolicited applications, CVs by mail filed in database, e-recruitment site, recruiting agencies (rare profiles), graduate development program (contact with key universities), targeted selection DDI	Adapted (tools used after approval by the parent company)	<i>“Recruitment is adapted; however there are certain parameters and guidelines that are very common across the world of CH1. For Lebanon, the major adaptation or innovation is the participation in job fairs of top universities”</i>	Participation in job fairs of top universities. Asking private questions in interview acceptable in Lebanon (age, religion)	Adaptation of sources of recruitment (universities), some questions added to DDI (“questions are very American”)

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CH2	Interviews, tests (general knowledge and personality). Main sources: universities. Ads in newspapers. Horisso website for managerial positions	Standard strict (process of interviewing and testing)	<i>“No, the sources are not standard. However the tools and the processes in recruitment like interviewing, testing, those are standard”.</i>	Participation in job fairs of top universities, good network with deans and student affairs office	Adaptation of sources of recruitment. Tests are standard Swiss.
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(Source: Developed for this study)

From the above table it could be noticed that the ten multinationals had varying levels of adaptation/standardization of their recruitment processes. The recruitment and selection process relies basically on sources of recruitment and methods used to select the right candidate from the pool of applicants. As sources of recruitment, the most common method used by all multinationals studied is the partnership with key universities in Lebanon. The partnership could take many forms from participating in job fairs (all ten multinationals), to initiating internship and graduate development programs (FR1 and CH1), to building strong relations with student affairs offices (CH2). The universities mentioned were basically the American University of Beirut (AUB), the Lebanese American University (LAU) and Notre Dame University (NDU) in addition to the Université St.Joseph which is a French university (mentioned by the HR manager of FR1).

Another commonality among the ten multinationals studied and perhaps a Lebanese specificity is the strong use of personal relations as a source of recruitment. Several multinationals (AM3, AM4, FR1, FR2, CH2, UK2) use their employees as source of recruitment (Ayca, 2005). Employees refer their friends or family members (if accepted) to open vacancies in their companies (Lee,1999). Several multinationals have a bonus system for employees who refer qualified candidates to open vacancies (FR2, AM3). Other multinationals consider this method as an efficient method for two reasons. First, employees referring their friends to the company know well the organizational culture and can realize whether the candidate they are referring can fit into this culture or not (FR1). Second, employees are trustworthy and have usually good intentions when referring a candidate and will do their best that this candidate is a good one in order not to “lose face with the company” (UK2). As for AM1, CH1 and UK1, this method could lead to conflicts and candidates are advised to pass by the formal path which is usually applying online through the recruitment website of the company. Surprisingly, I have been asked by the human resource managers of FR1 and AM2 to refer candidates to open vacancies in human resource management since I am preparing a PhD in this topic and I might know some suitable candidates. The human resource managers who support this method as a source of recruitment consider that in a country like Lebanon where people are closely related, personal relations could be an efficient way of finding the right candidates hassle free and with minimum costs (Ayca, 2005; Lee, 1999). Personal relations could also serve recruitment in another way. When asked about reference checking, several human resource managers of MNCs studied mentioned that personal relations and social networks could serve as a tool to check the backgrounds of applicants (educational, professional, personal background). The human resource manager of

CH1 talked about techniques used in checking references without embarrassing the person. He explained that people in the Middle East tend not to put down anybody which makes the task of checking references a difficult one (Seddon , 1987). The human resource manager of AM2 talked about her “informal network of friends” as a source for collecting information about applicants. Sources could be banks or companies that have had any business cooperation with AM2. The human resource manager of AM4 talked about a formal reference check process whereby the references names and addresses are sent to their office in India which becomes responsible of checking these references by sending those e-mails, questionnaires or even by calling them. Reference checking is centralized at AM4.

Another important finding about a recruitment adaptation revealed by the human resource manager of CH1 is the normality of asking about the age and the religion in an interview in Lebanon although CH1 follows the DDI targeted selection tool (Huo et al., 2002). The human resource manager explains that questions are “very American” and for Lebanon or the Middle East it is normal to ask for age and religion. This type of questions could pass without being perceived as discriminatory. It is important to note that several human resource managers talked about the addition of religious discrimination into the code although from another side, asking about religion during the selection process is done. The reason for doing it is perfectly legitimate for some HR managers who consider that it is necessary for the job or even sometimes for the company.

The most common method used by all multinationals studied to find candidates is the partnership with key universities in Lebanon. In addition, there is a strong use of personal relations as a source of recruitment. Several multinationals use their employees as source of recruitment because they are trustworthy and know the organizational culture of the company. Employees are rewarded if they refer “good” candidates. Using personal relations to recruit candidates is considered to be an efficient way of finding the right candidates hassle free and with minimum costs. Personal relations is used sometimes to check references of candidates informally and indirectly. Some selection tools (e.g. interview guide) were also adapted in some MNCs to better respond to the country’s and/or the job’s needs.

6.2.1.3 Training and development

Human resource managers were then asked to explain their training and development policies. The explanation included describing the training delivery methods used, how training budgets decisions are taken, whether the regional office/parent company interferes in the process and

most importantly whether these training programs are transferred as standard packages to apply without modification in the subsidiary. The human resource managers of Lebanese subsidiaries were asked to elaborate on this point by explaining to what extent they have the right or they are willing to modify the content or the delivery methods of training. Once more, answers varied between using standard training programs, locally adapted training programs or a mixture of both. Some subsidiaries had to use standard programs or courses that are shared internationally while allowing the delivery of locally developed training programs that satisfy the local needs.

This section deals with the adaptation of human resource management instruments particularly training and development programs. When asked about this subject, some human resource managers were straightforward in affirming the standard nature of their training programs. Standard means standard content and/or deliver methods. These same managers didn't ignore the fact that some local needs might arise and thus training programs might be developed locally. Others have talked about another form of adaptation whereby local employees are sent to train the trainers programs and start training local employees using a standard material but with a local trainer. A mixture of standard training programs and locally adapted training programs are being offered in some of the subsidiaries studied.

The table 52 below summarizes the findings about the possible adaptation of the training and development programs:

Table 52: Cross-case analysis of adaptations of training and development

MNC	Description of process	Degree of standardization of the process	Speech of HRD	Themes of adaptations to context	Type of adaptation
AM1	Local, Global, online training programs. Budget allocated by headquarter after request from subsidiary. Special programs for managers.	Global Standard with some adaptation	<i>“Corporate trainings are standard yet any qualified trainer can establish a new training that he sees suitable for the needs of the organization [...] programs are standard yet sometimes the trainers put the local touch. The material is standard but the context or the core might be tailored because training depends on the audience, seniority, areas of interest, etc... Local initiatives are taken into consideration</i>	Adaptation to the audience profile (seniority, areas of interest), local touch of the trainer (communication style, physical contact, body language).	Adaptation of delivery method and trainer style with a standard content
AM2	Training programs for new hires (orientation, rotation), regional seminar held once a year, local training for agency people (modules/year), managerial training programs (few selected every year)	Global standard with some adaptation	<i>For example, some people must be trained on taxes. The Lebanese accounting managers have to follow training about taxation. There are taxes in Lebanon but there are no taxes in the Gulf. The differentiation between the countries would impose different kinds of training</i>	Adaptation of topics covered (example of tax system, selling techniques), use of local training agencies.	Adaptation of content for some local training programs according to specificity of the country and delivery method.
AM3	Technical training programs, certification programs (USA or Switzerland), AM3 University (online, classroom) catalogue of training updated yearly	Standard strict	<i>Technical training for high-tech medical devices [...] There is no place for mistakes; our products are life-saving.</i>	None	None
AM4	Web-based learning, classroom, on the job, self study, each employee has a training track (core and specialized courses, obligation for each employee=20 training hours/year), managerial training conducted in Europe (managers promoted accordingly)	Standard strict	<i>Training is standard everywhere and we have obligations that each employee should have 20 hours of CPE (continuing professional education) per year.</i>	Local programs specific for Lebanon (tax workshop, central bank regulations)	none

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FR1	Training center in Dubai (ME region), managerial training programs in Paris(INSEAD), mobility programs for managers in Paris	Standard strict (regional)	<i>We have very particular training; we've opened a new training center which is in Dubai. This is to service the Zone.</i>	Trainer familiarity with the culture	none
FR2	Field force training (competencies needed), standard curriculum training for medical reps (company, values, rules, code of conduct, product knowledge, selling skills).	Standard for some programs and partially adapted for other programs.	<i>For internal training, we train our field force with the needed competencies. We develop this internally; the business support department is responsible for the field force training, with collaboration with the HR department and the sales department. It depends on the subject. We have developed things locally and some modules developed at the regional zone</i>	Modules developed locally.	Adaptation of content according to needed competencies and local needs (Mix of global and local modules).
UK1	Global training (selective), regional courses, local courses (courses listed on intranet), development plan for each employee prepared by the HR manager and the employee. Talent review meeting to discuss management development.	Standard with possibility of creating local programs according to needs.	<i>if there's a need, for example: five employees are saying they need negotiation skills and there is no negotiation skills offered on the area level or regional or international then it's easier to administer it locally. There are internal trainers. The courses are designed through consultancy with the global development team. There are train the trainers courses to help internal trainers in their work. Local courses are decided by the subsidiary</i>	None	Local programs created if topics needed not found in global programs, local trainers but content of other programs remain standard
UK2	Standard UK2 Mandated program, workshops held regionally, train the trainers seminars, material is standard.	Standard with possibility of creating local programs	<i>Sometimes, local needs arise, they are evaluated and a personnel training program is developed. It has to be approved by line managers. The subsidiary has contracts with training agencies and trainings are conducted either in house or outside the company</i>	None	Local programs created if needs arise but content of other programs remains standard
CH1	International training programs (IMD, London Business School), courses on intranet, employee chooses courses to attend during appraisal meeting, mobility	Standard with possibility of creating local programs	<i>Practices are always a hybrid. You cannot say that I'm taking all the internationally provided tools and use them completely as they are here. And this is quite understandable in the world of CH1 that you do. You think Global, but you act</i>	None	Local programs created according to local competencies needed but content of other programs

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	programs for managers (pool of talents centralized in Switzerland)		<i>local.</i>		remains standard
CH2	Local training programs, training for managers , train the trainers seminars, (CH2Business Academy)	Standard with possibility of creating local programs according to individual needs (communication skills)	<i>Training is standard but it is adapted to the Lebanese subsidiary and to all other subsidiaries. We have the standard training that you have to have but also you have your analysis to recognizing training needs so that you have your own trainings accordingly</i>	None	Local programs created if needs arise but content of other programs remains standard

(Source: Developed for this study)

From the above table, it is important to note that there is a difference between adapting the standard training programs transferred for the parent company or the regional office and the development of local training programs. Almost all multinationals studied considered that it not possible to adapt the content of the “global” programs of the company. Instead, if there are any gaps in these programs, i.e. there is a local need which is not covered in these programs then local programs are developed to meet these needs. In most multinationals studied, there is a need assessment done to decide upon training programs needed or following the performance appraisal results discussed during the performance appraisal interview. Individual training tracks are developed to cover any discrepancies identified in the performance appraisal interviews and courses are suggested to the employee either from the list of global courses offered or from locally developed courses. Locally developed courses in all multinational companies must be approved from a budget perspective. However, three important cases are AM1, AM2 and FR1 where themes of adaptation were mentioned. For AM1, it was the delivery of the training program which according to the human resource manager of AM1 depends a lot on the audience profile (Drost et al., 2002 ; Parnell & Hatem,1999). In his opinion, the trainer should be aware of the culture, the type of audience and the best communication style to use in order for the training to be a success. For AM2, the content of some training programs are modified to better fit the requirements of the country like for example taxation and selling techniques (Drost et al., 2002). Since AM2 is an insurance company which relies heavily on the sales department, selling techniques is an important program that contributes to the achievement of the companies objectives. However, selling techniques are usually market-related. Techniques are different from one market to another and from one country to another in terms of approaching the customer. A need to adapt the “American” transferred program was a necessity to better improve the transfer of the training results to the job. As for FR1, the human resource manager at the Lebanese subsidiary stressed on the importance of the trainers who are most of the times Lebanese in charge of training across the Middle East region. The reason behind the choice of trainers from Lebanon to train employees across the region (although the regional office is in Dubai) is the familiarity of the trainer with the culture of the region besides the trainers’ mastery of French and English and their excellent educational credentials (Laurent,1986; Thornhill,1993 ; Wright et al., 2002). Several multinationals are using a mixture of global modules and locally developed modules to form coherent programs which could keep the global nature of the training programs required by the multinational while responding to the local needs of the employees and the local specificities of the country.

It is important to differentiate between adapting the standard training programs transferred for the parent company or the regional office and the development of local training programs. In most MNCs studied, training programs transferred were “untouchable” and remained standard without any adaptation. However, where there was a local need (either country-specific, job-specific or market-specific) local programs were developed to meet this need. Some MNCs have developed hybrid programs mixing modules from standard transferred programs and locally developed modules. In most MNCs, trainers are Lebanese because they know well the culture. These trainers are also used on a regional basis.

6.2.1.4 Performance appraisal

Performance appraisal is the fourth human resource practice studied. Human resource managers were asked to describe the performance appraisal process (methods and techniques used). Several techniques are used by the studied multinationals including the 360 degrees, the rating system, the self-appraisal, the narrative technique and the management by objectives approach. The managers, as done previously about the other instruments, were asked to elaborate the question of standardization and adaptation of the instrument. Answers also varied between a strict standardization of the instrument, i.e. its application in the subsidiary as it is in the parent company and a possible adaptation of the process.

The following table 53 summarizes the findings about the performance appraisal adaptation:

Table 53: Cross-case analysis of performance appraisal adaptation

MNC	Description of process	Degree of standardization of the process	Speech of HRD	Themes of adaptations to context	Type of adaptation
AM1	360 degree evaluation process, management by objectives, calibration committee for rating employees,	Standard strict	<i>In terms of rewards, it is different according to market. For example salaries in Lebanon are different than salaries in Egypt. No adaptation of performance appraisal but adaptation of bonuses and salary scales”</i>	None	None
AM2	Rating system for supervisory and below, scorecard for department manager. Performance appraisal linked to rewards, different criteria for each department	Standard strict	<i>The system is standard</i>	None	None
AM3	Rating system, incentive plan related to achievement of target	Standard strict	<i>There is a standard scheme</i>	Difficulty to rate “1”	Implementation
AM4	Multi-source feedback (360 degree), self-appraisal discussed with a counsellor	Standard strict	<i>The system is standard everywhere</i>	None	None
FR1	Management by objectives, qualitative (values, culture, ethics)Performance appraisal linked to reward	Global standard with slight adaptations	<i>Now, of course, you’ve got some issues which are different between us and France because of some legal aspects which you have to follow are different across countries. For Lebanon, for example, I mean you are not obliged to give a bonus while in France, maybe, you are (I don’t know)... It depends on the country legislation</i>	Obligation to give a bonus	Laws of the country
FR2	Quantitative and Qualitative appraisal (50%,50%), quantitative related to KPI, qualitative related to behaviour	Global standard with slight adaptations	<i>It is a unified system. However, some adaptations are possible provided the system remains 50% for quantitative and 50% for qualitative</i>	Respect of the general framework but freedom of operation within	Quantitative and qualitative evaluations
UK1	Rating system, “Perform”, bonus linked to organizational performance salary rise linked to individual performance, strict control of the process to ensure consistency and objectivity	Standard strict	Not adapt!	None	None

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UK2	Rating system using a matrix, both quantitative (linked to objectives) and qualitative (linked to behaviour)	Standard strict (regional)	<i>The system is the same everywhere</i>	None	None
CH1	Narrative technique, Lominger (adapted to CH1), Reward linked to sustained contribution.	Regional standard	<i>The performance appraisal system is not standard everywhere in CH1. Each zone, sometimes, has its own system. A new system is being developed to be utilized at a certain level of managers across the board the same</i>	NA	NA
CH2	Rating system and management by objectives, performance appraisal linked to training plan for each employee.	Standard with slight adaptation	<i>Forms come in English and Arabic for countries of the Middle East</i>	Language	Questionnaires and forms

(Source: Developed for this study)

During the second round of interviews with the human resource managers, a question was asked to all interviewees that seemed important since it might reveal a certain insight about adaptation of the implementation of the performance appraisal. The question was about how human resource managers deal with negative performance appraisals. The reason behind the question is to know whether there is a tentative of adapting the process even informally after having similar data from all ten human resource managers that the process is standard. UK1 initiates a performance improvement plan whereby the employee who was ranked “nearly there” would be monitored for a period of three to six months.

According to the human resource manager, the majority of employees succeed in addressing their performance weaknesses after the monitoring period. As for AM2, the negative performance appraisal could lead to termination of contract. However, the human resource manager explained that during the performance appraisal interview, the human resource manager discusses extensively with the employee and makes him understand that the company “is not happy” and it would be better to submit a resignation (Aycan, 2005; Trompenaars, 1993; Seddon, 1987). Here, it is not the company which terminates the contract; instead it is the employee who submits his/her resignation after being convinced that he/she doesn't fit anymore in the business.

The human resource manager explained that the company has a “human attitude with the licensed employees (Yahiaoui, 2007). She tells a story where the company had to license an employee but has continued to process his medical bills to the national social security although his contract with the company was terminated. Since he had a medical case, the company didn't inform the national security fund that the contract was terminated in order to continue offering reimbursement for his medical bills. UK2 is similar to UK1 when dealing with negative performance appraisal. A development program is initiated for a period of one year whereby the employee is coached closely to improve his performance. Usually, according to the human resource manager, the coaching program has good results the following year. For CH1, the employee is given 3 months to redress the situation.

According to the human resource manager of CH1, Lebanese managers tend to be less confrontational during the performance appraisal interview (Fletcher & Perry, 2001). The message is transferred in a “diplomatic” way not to hurt the employee. For FR2 and CH2, the direct manager is responsible for the employee's negative performance appraisal (Huo & Von

Glinow,1995). The direct supervisor is judged and asked whether his subordinate was trained enough. If the contract should be terminated, the human resource manager discusses the situation with the employee during a “counseling session” whereby the employee is advised on how to find another job, which job is more suitable for his profile, etc... The human resource manager of FR2 stressed on the importance of keeping good relations with employees even the licensed ones (Yousfi, 2010).

The human resource manager of CH2 mentioned that there is a project to train employees about performance appraisal. She explains that in Lebanon, employees don't take performance appraisals seriously. As for AM3, there is another kind of problem. When asked about how she deals with negative performance appraisal, she said: *“it is difficult to rate negative before dealing with its results; we have a tendency not to license. We have a clear guideline for performance appraisal but the implementation is different. We avoid licensing”* (Aycan, 2005; Myloni et al., 2003; Trompenaars,1993). Another problem explained by the human resource manager of AM3 was the calibration problem. Performance appraisals of employees should follow a certain calibration whereby there is a specific number of allowed “5”, a specific number of allowed “4”, etc... Some employees deserve a “5” but for quota reasons, they are given a “4” or even a “3”. This practice is neither understood not appreciated by Lebanese employees who see it as unfair in most cases (Aycan, 2005). As for FR1, the human resource manager explained that an adaptation was done for Lebanon for promotions. Although this issue is related to career management, promotions are the result of positive performance appraisals. She explains that at FR1, the promotion process is slow. For her, Lebanese are not patient enough to wait a lot to get promotions. She states: *“We had to divide promotions into intermediate promotions because people here are not patient and tend to be de-motivated fast”*.

It is clear that the adaptation of performance appraisal is done at the implementation level. The methods of implementing the performance appraisal process varies between the multinational companies but they all converge towards having a more “human”, “give a chance”, “less confrontational”, “not leading to licensing” approaches when dealing with negative performance appraisals. The reasons behind this approach have their roots embedded in the culture which will be discussed in the third research issue.

6.2.1.5 Compensation and benefits

Human resource managers were also asked to describe the compensation and benefits schemes uses in their subsidiaries. The aim is not to know what is offered by the multinational companies to employees. The main focus is to know whether the compensation benefits offered in Lebanon are being adapted to the local market. The human resource managers of all ten subsidiaries studied confirmed that the compensation and benefits are fully adapted to Lebanon. The table 54 below summarizes the findings about compensation and benefits adaptation:

Table 54: Cross-case analysis of compensation and benefits adaptation

	Description of process	Degree of standardization of the process	Speech of HRD	Themes of adaptations to context	Type of adaptation
AM1	Compensation umbrella with certain principles (ex: paying for performance which is included in the global guideline)	Fully adapted to local market (to stay competitive) while respecting the guideline	<i>We have things tailored to the local market like for example the compensation and benefits system. You have to be compliant to the local labour law. Whenever you have any local restriction, you have to comply. For benefits, schooling allowance might be required by the law in Lebanon whereas it might not be required in Egypt. It is really different, we benchmark against our local community, you have to make sure that your cost structure and the compensation and benefits are part of it, that your cost structure keeps you competitive because this will affect the pricing of your brands and eventually your competitiveness in the market.</i>	Items imposed by labour law (insurance, transportation), salaries imposed by local market (benchmarking) and to remain attractive for talents.	Compensation level and type of benefits offered.
AM2		Regionally standard benefits and fully adapted salaries	<i>If we are talking about salaries, we have to follow the market [...]The benefits are set to respect the labour law, we can never go below the labour law but we can provide better [...]We comply with the labour law but we give better</i>	Salaries linked to cost of living, benefits linked to labor law + imported benefits (pension, schooling) standard in the region	Compensation and some benefits
AM3	Compensation and benefits (Special website)	Fully adapted to local market (to stay competitive, benchmarking) while respecting the guideline (offering standard benefits such as meal allowance, gym allowance, pension plan)	<i>You can't say they're standard; they are market-based related to multinationals. We look at other multinationals in Lebanon although this is not very much reflective of what we do. We are supposed to be compared with multinationals in Dubai because of the geography that we cover.</i>	Salaries, transportation, insurance, gym allowance (no facilities in Lebanon), pension (no reliable pension in Lebanon)	Compensation level and type of benefits offered.
AM4	Compensation according to educational level, efforts and performance reflected in bonuses (revenue of the company, individual performance).	Salaries Fully adapted to market (market surveys), benefits decided locally (suggested benefits from parent company but not imposed)	<i>These are locally determined because we don't have expatriates, if we had expatriates, benefits are uniform. We abide by the Lebanese labour law.</i>	Salaries, transportation, schooling, medical coverage	Compensation level and type of benefits offered.

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FR1	NA	Fully adapted compensation and benefits to local market and law	<i>They are adapted to the local law mainly, Even the benefits; they are adapted to the local law of the country</i>	Salaries, transportation, holidays	Compensation level and benefits offered (life insurance, profit sharing)
FR2	NA	Fully adapted compensation and benefits to local market and law (Market survey and labour law)	<i>The only law for salary is to respect the minimum salary which is not applicable to our case because we are not concerned with this level of payment. Our compensations are clear. We make market surveys, salary surveys and we take into consideration the competitors, it is a pharma industry and we know the market. Based on this, we build our salary scale. Some benefits are created according to the market, if you have the rationale, you have the tool to do it, and it is up to you.</i>	Salaries, insurance, car allowance (necessary in Lebanon for salesmen)	Compensation level and benefits offered (budget approved by the parent company)
UK1	Compensation and benefits for locals and another standard one for expatriates. Top 25% payers in the market	Fully adapted to local market while respecting the guideline (cost of living, market studies, labour law)	<i>We have to abide by the Lebanese law. We look at these, cost of living, we look at hay, we look at other market studies, salary service, and this is how we do the grading; all of that. And we review this every year. So every year we have a Board Compensation Committee which overlooks again what happens through survey.</i>	Salaries, car allowance	Compensation level and benefits offered
UK2	NA	Fully adapted to local market (Local market, labour law)while respecting the guideline and offering extra global benefits(shares, bonuses)	<i>Compensation and benefits is adapted. It is based on local market. For benefits, they are determined according to local law.</i>	Salaries, benefits	Compensation level and benefits offered
CH1	NA	Fully adapted to local market while respecting the guideline (cost of living, market studies, labour law)	<i>We definitely have to abide by the local law that we will never pay anything below the minimum salary that is mandated by the government; the salary structure in each and every country depends on the salary market of this country. Benefits are adapted of course.</i>	Salaries, insurance, car allowance	Compensation level and benefits offered
CH2	NA	Fully adapted to local market	<i>According to local laws and market. No we don't offer standard benefits because in this CH2 doesn't have a general standard for all the hotels.</i>	Salaries, insurance and social security	Compensation level and benefits offered

(Source: Developed for this study)

There are four references taken to adapt the compensation and benefits: the cost of living, the market, the competing multinational companies and the labor law (Festing et al., 2007). The cost of living is used to decide upon the salary levels to be paid (Aycan, 2005). The salary level is also linked to the labor law which dictates a minimum salary to be paid that companies cannot go below. All human resource managers confirmed that they never pay the minimum salary dictated in the law. They always pay higher than the minimum. Several multinational companies perform market surveys to decide upon the salaries to be paid. Multinational companies in Lebanon try to benchmark other competing multinational companies operating in Lebanon to stay competitive. Others go beyond this benchmark to remain among the top payers and as a matter of fact attract qualified candidates and retain their employees. As for benefits, they are also linked to the market and to the labor law. Multinational companies also benchmark their competitors in terms of benefits and should also respect the labor law by offering the two benefits stipulated by the Lebanese law: transportation and national social security. However, several multinationals go beyond these benefits and offer globally or regionally transferred benefits such as life insurance, profit sharing, pension schemes, gym allowances, meal allowances, car allowances, and/or schooling allowance. Several of these benefits are not imposed by the multinational company's parent company. They were locally decided upon based on the job need, the market need or even because of a weakness of a country's institution. Car allowances were decided locally at FR2 and AM3 because these subsidiaries rely heavily on salesmen who are in need of cars to better perform their job in the absence of a reliable public transportation system. Schooling is provided at AM2 since the costs of private schooling in Lebanon are very high in the absence of a reliable public education. AM3 offers pension plans to its employees which were developed specifically for Lebanon. The human resource manager at AM3 considered that due to an unreliable national social security in Lebanon, a pension plan is necessary to create a feeling of security among employees.

Compensation and benefits in MNCs are mostly adapted to meet the cost of living, to abide by the Lebanese labor law or to benchmark competing MNCs. Most MNCs studied perform market surveys to decide upon their compensation and benefits schemes. Some benefits are standard on regional or global basis and are transferred to the Lebanese subsidiary without any adaptation. Several benefits were created specifically for the Lebanese subsidiary to fill a gap in the Lebanese institutions or to motivate employees.

In brief, the main finding of the research issue 2 is that the five practices studied (code of conduct, recruitment and selection, training and development, performance appraisal, compensation and benefits) in all 10 MNCs are being adapted according to varying levels and types of adaptation (adaptation of content versus adaptation of implementation). In addition, when adaptation reveals not feasible, subsidiaries tend to use a mixture of standard practices (remained untouched) with locally-developed practices (conceived especially for the subsidiary and/or the country). The question of “which HR practices are adapted and to what extent” (research issue 2) also depends on the research issue 3 (Host-country effects) since the answer might be related to what degree a practice is sensitive to host-country effects.

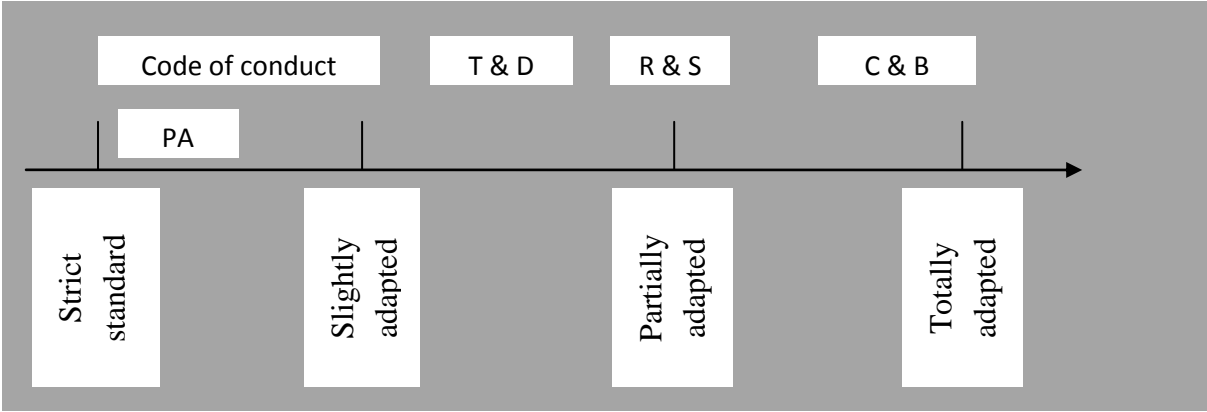
6.2.2 Summary of findings on Research Issue 2 put in context with available knowledge

This section discusses the findings of this study with respect to research issue 2 and compares them to the existing literature. The research issue investigates:

RI2: *Which HR practices are being adapted?*

During the data collection phase, human resource managers were asked to describe the human resource practices implemented in their subsidiaries. They were then asked to explain whether these practices applied in the subsidiary are the “same” practices transferred from the parent company. The aim was to know whether these practices were adapted in the Lebanese subsidiaries. The findings reveal that the five practices studied in this theses (code of conduct; recruitment and selection; training and development; performance appraisals; compensation and benefits) were all adapted with varying intensity across subsidiaries and among instruments. The following figure 17 explains the intensity of adaptation of instruments along a continuum that goes from “Strict standard” to “Totally adapted” passing by intermediary steps of “partially adapted” and “slightly adapted”. This continuum is based on the cross-case analysis conducted for the research issue 2 which relies on the answers of the human resource managers interviewed.

Figure 17: Continuum of adaptation of practices



(Source: Developed for this study)

The figure 17 above shows that the five practices were adapted with varying intensity.

6.2.2.1 Code of conduct

Codes of conduct could be placed between the two points “standard strict” and “slightly adapted” based on the results of chapter 4. In American MNCs, the code of conduct’s content was not adapted but the implementation or what several human resource managers called “the living of the code” was adapted. As for European MNCs, slight adaptations were performed either by modification of one or two clauses of the code or by reinforcing the application of certain parts of the code. In both cases, the code of conduct was adapted and could be placed in the area shown in Figure 17. The code of conduct was associated to the organizational culture in this study which is consistent with the literature. Codes of conduct or codes of ethics formalize detailed rules designed to guide subordinates in their decisions and in their daily behaviors inside and outside of the enterprise (Gauthier, 2001). The codes have a normative character through setting to the subordinate what is considered unacceptable and illegal business, for example the prohibition to accept gifts from clients. For the MNC, codes of conduct can be considered as an instrument of control and regulation of practices of subsidiaries or foreign vendors. By giving this reference guide to all employees, regardless of their nationality and regardless of the legal and local normative framework where they evolve, the multinational firm is therefore called to play a stronger institutional role, comparable to that of "Legislator without a state" (Arthurs, 2005), by enacting "universal standards" vis-à-vis local, institutional and cultural contingencies of subsidiaries (Sneltzer & Jennings, 1998). The codes of conduct can be considered as an instrument formalizing a normative "corporate culture" (Thévenet, 1986) which aims to define a common identity to members of the

organization, as well as a guidance, conditioning or even a regulation of actions and decisions of members of the organization through providing them with routines, cognitive patterns and values.

The HR managers interviewed considered the code of conduct as a tool for enhancing organizational culture and strengthening internal consistency of the MNC. However, it should be noted that although several scholars have considered that corporate or organizational culture can overcome the peculiarities of the national culture (Evans & Lorange, 1989; Evans et al., 1989; Edstrom & Galbraith 1977; Doz & Prahalad, 1986), others were more cautious. Laurent (1986) viewed the ability of even a strong corporate culture to overcome national cultures as "illusionary". His research among respondents from different European countries in one company found that the national cultures remained powerful. He states: "*Within the organization there are subcultures and countercultures, there is abuse of rhetoric, and in the international organization, the power of the national cultures of the host territories. There will often be significant tensions where the corporate culture and the national cultures meet*". From here, it could be said that even if the code of conduct is the practice which is the least "vulnerable" to adaptation, yet its adaptation is still possible most of the times in its implementation or "its living" as Lebanese HR managers call it. The findings are also consistent with the literature. As an instrument, codes of conduct can be considered as an organizational practice which the multinational firm wishes to transfer. In the multinational firm, the transfer of practices - such as practices related to management instruments –will be even more difficult than cognitive pattern and values. Besides, the rules of behavior of subsidiaries actors will be different from those of the parent company because they would be influenced and conditioned by a national context, an organizational context, and a different strategic context (Kostova, 1999).

Furthermore, actors of the parent company and subsidiaries have freedom of action to set policies that can go in the direction of adoption, adaptation, or resistance while practices are being transferred from the country of origin (Barmeyer & Davoine, 2006). Thus, subsidiaries do not have to behave like "good students". Some subsidiaries can choose to defend their identity by continuously producing specific local practices against the will of the parent company to standardize the practices (Pestre, 2004).

On the other hand, it should be noted that there are different attitudes to business ethics themes between countries (Christie et al., 2003; Palazzo, 2002; Robertson and Fadil, 1999; Smith & Hume, 2005; Tavakoli et al., 2003; Tsui and Windsor, 2001; Vitell et al., 1993), to the content and/or attitudes to codes between countries (Arnold et al., 2007; Bondy et al.,

2004; Cohen et al., 1992; Lefebvre and Singh, 1996; Mele' et al., 2006; Singh et al., 2005; Vitell & Hidalgo, 2006), and to the content of code of ethics in multinational corporations (MNCs) (Carasco & Singh, 2003; Kaptein, 2004). This difference in attitudes towards ethical themes or the content of codes of conduct was clear in several case studies. Several respondents mentioned themes such as sexual harassment, social harassment, interpersonal relations at work and employment of relatives. They pointed out that they had different perceptions or interpretations or even attitudes towards several issues considered very serious in the national culture of the parent company like for example sexual harassment for the United States. Ferrel et al. (2002) have pointed out that even ethical judgement of managers vary across countries. It is influenced by cultural differences.

Another important point mentioned by several studies is the lack of attention to those people within the organization who are directly concerned by the code and have to live with it (Clegg et al., 2007). Many studies focus on the content of the codes (Kaptein, 2004) but tend to ignore how these codes are lived. Stories from the field are rare and the studies which are qualitative or ethnographic by nature and which focus on codes of conduct in multinationals are scarce (Hood & Logdson, 2002). This shows that this study is original and it contributes to knowledge since it tends through a qualitative and story-telling approach to understand the attitudes of human resource managers and employees towards the transferred codes of conducts whether to its content or the way it is being implemented. However, it should be noted that this study only collected information about codes of conducts through interviews with human resource managers and not through standardized questionnaires targeting directly involved parties which are employees. This approach was criticized in several studies which considered that it is the voices of ethics officers or top managers that are represented who constitute a minority and not the employees who are directly affected by the codes within organizations (Watson & Weaver, 2003; Christie et al., 2003). Another study about the implementation of corporate code of ethics in a Swedish subsidiary of an American multinational (Helin et al., 2008) showed that all employees had to sign the code while many of them were not comfortable with the code. This case is similar to this study where in several Lebanese subsidiaries of American and European multinationals studied, human resource managers considered that employees have signed the code without complete conviction about its content. However, no resistance or severe complaints were mentioned in any of the studied multinationals. Another resemblance between this study and that of Helin et al. (2008) is that the code was not adapted to the local context due to what the authors called the "Americanness" which is also the case of Lebanese subsidiaries of American multinationals

studied. The holiness of the code (“Our Bible”) might be the reason for not adapting the codes in American multinationals. This topic will be discussed in the following chapter. A major dilemma appears in the majority of studies concerned with the transfer of codes of conduct in multinationals: balancing universal codes with specificities of the local context. This dilemma was discussed by Thorne & Sunders (2002) who considered that the major challenge is how to implement universal codes in multinational companies subsidiaries in a way to maintain the goals and the values of the company while being responsive to the local context. They called for a certain balance between universalism and cultural relativism. For Robertson et al. (2002), cultural relativism could lead one to see the potential different attitudes across countries in regards to ethical problems. This was obvious in this study where several human resource managers had different attitudes from the country of their parent company towards ethical problems. Several human resource managers of Lebanese subsidiaries of American multinationals used the same expressions: “In the United States, sexual harassment is a big issue, here we see things differently”. They tried to explain that although it is an ethical issue which is present but the attitude or the perception of the issue differs between Lebanon and the USA. Another important issue is the lack of studies about differences of what is good or bad, right or wrong, acceptable or not in business practices across countries (Ahmed et al., 2003). In this study, the human resource manager of the Lebanese subsidiary of Medtronic, an American MNC, considered that it is not bad/wrong to exchange jokes of sexual nature between employees which is “wrong” or “bad” in the United States. The human resource manager of FR2 Lebanon considered that it is “not bad” to ask for the age of the candidate in an employment application (which is also “bad” in other countries). Arnold et al. (2007) have added in their study about the effect of country and culture on perceptions of appropriate actions prescribed by codes of conduct that there is a relation between the cultural dimensions of Hofstede (1999) and perceptions of ethical issues. They have associated between individualism and masculinity levels with ethical perceptions. It should be noted that there are differences between Lebanon scores on individualism and masculinity from one side and the scores of the four countries represented in the study (USA, France, UK, and Switzerland) which confirm that there will be differences in the perceptions of ethical issues. Another important finding of the study of Arnold et al. is that there are differences in the perceptions of managers towards ethical issues found in the code. However, these differences associate with the manager’s country and not with the manager’s employer, employment level or gender. This finding confirms that the human resource manager in this study had different perceptions of ethical issues than perceptions found in the parent company (where the code

comes from) because of their belonging to the Lebanese culture regardless if they work for an American or European MNC or even if they are men or women. They have concluded their study by giving recommendations to multinationals that they should be careful when writing the codes of conduct, warning from the notion of a single code applied everywhere. They suggested that there is a necessity to adapt the code even when the cultures are so close (countries of Western Europe). Thus, adaptations become even more crucial when there is a cultural distance which is the case of Lebanon, the USA and Europe.

Another study about the codes of conduct in Chinese subsidiaries of American multinationals considered that the code could be considered as a social improvement tool with a human dimension. The code of the American multinational Reebok implemented in China has contributed to the improvement of working conditions and labor standards. In this study, the human resource managers have pointed out to some challenges they face. These challenges are related to the differences between the organizational culture and values and the national culture of Lebanon. The human resource managers of CH1, UK2 and FR1 have talked about corruption and how they had to preserve the values of their companies while operating sometimes in a corrupted environment. CH1's human resource manager has gone further to talk about nepotism and favoritism which are also common problems in Lebanon (Whiteoak et al., 2006). Here, the code of these multinationals could contribute to improve society and disseminate values found in their codes of conduct.

Furthermore, several studies about codes of conduct were interested to know how these codes were implemented, how their implementation could be measured, and some practicalities related to his implementation.

Several studies dealt with the issue of "whistle blowing" which is common in American multinationals. Whistle blowing is a tool used to inform the parent company of any violations of the code of conduct in subsidiaries. A study about attitudes of American and Croatian managers towards whistle blowing (Tavakoli et al.,2003) showed great differences towards this tool. The study uses the cultural dimensions of Hofstede to explain these differences. In countries scoring high on collectivism like in Croatia, whistle blowing is not appreciated and employees tend to have a degree of responsibility and obligation to the needs of the group. In my study, managers mentioned the existence of hotlines, which is a kind of whistle blowing, connected to the parent company where employees could report any violation of the code or even report their colleagues, managers or subordinates. All four managers of the Lebanese subsidiaries of American multinationals studied confirmed that this hotline was never used to

report an employee or a colleague. These findings are consistent with the results of the study mentioned earlier. Lebanon score also high on collectivism.

Another study interested in the content of codes of conduct has dealt with the issue of gifts acceptance which is subject to certain conditions (Kaptein, 2004). The acceptance of gifts could be interpreted differently among multinationals: social courtesy, symbolic, to create goodwill, etc...”In my study, this issue was raised by two human resource managers (FR1 and CH1). CH1 human resource manager had even asked for the modification of the clause about gift acceptance in a country where bribery is a common practice.

As for the implementation of the code, Adam & Rachman-Moore (2004) have identified three ways of implementing the code of conduct: formal, informal and personal. The company, if using formal implementation of the code, will have to use different mechanisms of control ranging from documents specifying the ethical code of conduct, to training, to evaluation of performance and even to enforcement procedures. This formal implementation of the code is sometimes observed during the early stages of employment of an employee (orientation period). Formal implementation was observed in all ten subsidiaries studied in my thesis where several techniques were used to implement the code (signature, training, link to performance appraisal, online tests, etc..). AM4 has the code of conduct as part of an induction package of new hires. As for the informal implementation, it has to do with the influence of peers, subordinates and managers on a person’s code of conduct and it is developed through informal socialization and it is part of the formation of the manager-subordinate relationship. This type of implementation of the code was mentioned by FR1 and CH1 where both human resource managers talked about lived values in the organization which could be acquired during a complex socialization process and whereby an employee could discover if he/she fits or not into the organizational culture. CH1 human resource manager talked about the “Nestle gentleman” who acquires the values of CH1 progressively. FR1 human resource manager talked about the notion of “three months, three years, thirty years” whereby the employee could exit during the probation period, a bit later or spend all his life in the organization depending on the degree of his integration into the organizational culture. The implementation of the code is done here informally where a member of the group would choose to orient his/her behavior towards a certain direction acceptable by all other members of the group and thus by the organizational culture. The third way of implementing the code is through the personal method which is the ability of a person to effect a change in the organization (Greenberger & Strasser, 1986). It is related to the personal values of the

employee acquired from other sources than the code and serve as a way of self-control including family, religion and community. The study of Adam & Rachman-Moore (2004) about an Israeli subsidiary of an American multinational confirmed that several members of the subsidiary consider that the source of their ethical behavior comes from their personal values acquired from religion. This is an interesting finding that could be connected to the Lebanese context where religion and holy books are the most important sources of values and ethical conduct.

A study by Nijhof et al. (2003) dealt with the issue of measuring the implementation of the code. It defined the process as “monitoring” which aims at “*controlling the application of the code and sanctioning possible deviations but also to understand the causes of such deviations, which are likely to call for adaptations of employee behavior as well as adaptations of the code*”. As for my study, monitoring was done through compliance officers found mainly in American multinationals but also through surveys, tests and performance appraisals. However, no deviations from the code were reported in the interviews conducted in Lebanon. However, anticipations of possible deviations were put into practice through adaptations and modifications of the content and/or the implementation of the code of conduct (acceptance of gifts, recruitment of relatives).

6.2.2.2 Performance appraisal

As for performance appraisal, based on the cross-case analysis of the data on research issue 2, it could be placed on the continuum in the area between “strict standard” and “slightly adapted” closer to “strict standard”. The reason behind this positioning is that in all MNCs studied, whether American or European, the HR managers interviewed considered performance appraisal as standard across all subsidiaries. The regional HR manager at the parent company of CH1 considered that performance appraisal should be standard to have a consistent and reliable talent management process across the world. Here, it is obvious that the parent company has succeeded to impose and maybe to convince subsidiaries of the necessity to standardize performance appraisals. As a matter of fact, the balance of power between the parent company and the subsidiary is influenced whenever there is a will for standardizing systems (Bartlett & Ghoshal, 1998; Kostova, 1999). In this case, the balance of power goes in favour of the parent companies. As noted earlier, several HR managers (AM1, UK2, CH1 for example) explained the reason behind standardizing performance appraisal

which is the trend towards having a global pool of talents evaluated following the same criteria across the globe. Having a standard performance appraisal system will enable the MNC to have a common language on competency and leadership capabilities (Brodbeck et al.,2002; Schuler et al.,1993). Therefore the trend to have performance appraisal more standardized is consistent with the literature (Geary & Roche,2001; Dunning,1998; Muller,1998; Turner et al.,1997).

However, what was slightly adapted is the implementation especially when it comes to negative performance appraisal management whereby the reasons behind this different approach in “handling negative performance appraisals” will be explained in the next research issue conclusions (RI3). This is also consistent with the literature. For example, Brewster (2002) explains that US-style performance appraisal processes are usually management by objectives (MBO). Employees work jointly with their boss to set objectives, assess their own performance, and comment on whether their boss has helped them achieve their targets or made things difficult for them. However, in Eastern countries, where open responses to seniors are discouraged, where admitting faults (by employees) or criticising (the employees) amounts to a loss of face and where criticising the boss in front of the boss would be seen as some sort of organizational suicide, the implementation of these performance appraisals would be different in subsidiaries operating in such countries. Brewster (2002) explains further: *“The more the organisation attempt to enforce a world-wide system, the more likely it is that managers will bend the system to their local requirements. Often this will involve exaggerated or incomplete reports or even reporting back on interviews that never took place”*.

It is important to note that the dilemma about standardizing or localizing performance management is widely found in the literature. Advocates of localization consider that locally customized activities are more effective (Bartlett et al.,2005; Brewster et al., 2004; Evans et al., 2002; Festing et al., 2007). Caligiuri (2006) explained this dilemma by contrasting the strategic purposes of firms. He differentiated between multi-domestic firms (emphasising local customization) and global firms (emphasizing worldwide integration and standardization). In this study, five of the MNCs studied are Fortune Global 500 firms. Yet, all the ten HR managers interviewed talked about a “global”, “across the globe”, “standard”, “same” performance appraisal system that confirm the strategic purpose of global firms which emphasize on global integration and standardization at least for performance management.

6.2.2.3 Training and Development

Training and development is placed on the continuum (Figure 17) between “slightly adapted” and “Partially adapted”. As discussed in chapter 4, training and development programs implemented in Lebanese subsidiaries could be classified into four categories: standard programs (transferred from the parent company), adapted programs (to fit the professional culture and/or the market), locally developed programs (to meet individual or subsidiary needs) and mixed-modular programs (standard modules + locally developed modules).

Programs which remained standard in the subsidiaries studied are considered “*core*”, “*company mandated*”, “*global*” “*corporate*” programs. These standard programs are “strategically important” for the company. They are often related to codes of conduct, company values, product knowledge and technical expertise. These programs are viewed by the HR managers interviewed as standard programs not subject to adaptation because they are considered as “core” to the company. The findings confirm the literature. Bartlett and Ghoshal (1989) stress the unifying influence of the multinational organization through the building of shared vision and individual commitment. In this sense, learning in the MNC is focused on building strong organizational culture. Furthermore, Nohria & Ghoshal (1997) stress that MNCs must be “integrated normatively” through developing organic solidarity and shared values. Furthermore, In brief, training programs remained standard in the ten subsidiaries studied whenever they were considered important mechanisms of building shared values, reinforcing a shared vision and enhancing an organizational culture or even labeled as “core” programs.

On the other hand, some training programs which are more “operational” or “market-oriented” were adapted to better fit the requirements of a professional culture (auditing, sales) or of the market (selling techniques, trade techniques). Moreover, locally-developed programs were conceived in subsidiaries to meet individual needs assessed through performance appraisals or to respond to emerging subsidiary needs. Several subsidiaries partner with local training agencies and/or local trainers to provide their employees with the appropriate training programs. The regional HR manager at the headquarter of CH1 has explained how the MNC has partnered with the American University in Dubai to provide training programs on regional basis.

The findings confirm the latest trends in international training and development found in the recent literature. Geppert (2005) considers that although globalization is affecting business processes in general and training and development in MNCs in particular, there is a growing realization that the impact and importance of the national context and institutions must be

taken into consideration in competence development and learning. The host-country effects on T&D will be discussed in the next section: conclusions about the research issue 3.

It is also important also to differentiate between managerial training programs and employee training programs. The IHRM approach as mentioned in the conclusions about the research issue 1 could be different according to the targeted public (Harris & Morran, 2001). More standardization (exportive approach) might be required for managerial training programs and less standardization (adaptive approach) might be required for supervisors and bottom-line managers. The findings of the study confirm the literature. Several HR managers interviewed differentiated between “standard” managerial training programs held in the regional office and/or in the parent company headquarter and locally developed and/or adapted employees’ training programs held in the subsidiary. A main finding of this study regarding which HR practices were adapted is to say that there are not only varying levels of adaptation/standardization among practices but also there are varying levels of adaptation/standardization within the same instrument (sub-practice) according to the public concerned with the sub-practice, the strategic importance of the sub-practice and the vulnerability of this sub-practice to host-country effects.

6.2.2.4 Recruitment and Selection

The recruitment and selection process in the subsidiaries studied could be placed on the continuum (Figure 17) as partially adapted. As explained in chapter 4, some contents of the process were sometimes kept standard like for example recruitment and selection methods. However, other components of the process were adapted like for example recruitment sources (universities, personal relations, word of mouth), reference checking (informal using personal networks) in addition to slight adaptations of the interview guide observed in CH1 (add “Lebanese relevant questions: age and religion) and addition or elimination of tests (UK1, UK2 and AM4). The findings also confirm the literature regarding the vulnerability of the recruitment and selection process to the cultural and institutional contexts of the host-country (will be discussed in the next section: conclusions on research issue 3). A study by Tariq et al. (2006) considers that the cultural similarity between the parent country and subsidiary country is a moderator in the relationship between MNC strategy and subsidiary staffing. Whitley (1992) dealt with the institutional environment of subsidiaries which includes the legal environment and the educational system whereby the latter has a direct influence on staffing (local labor market, staff availability). However, it is important to note that there are gaps in

the literature concerning recruitment and selection adaptation in MNCs. Most of the research about this issue emphasized how the different IHRM orientations (ethnocentric, polycentric, region-centric and global) affect staffing decisions (Adler & Ghadar, 1990; Dowling et al, 1994; Heenan & Perlmutter,1979) especially in terms of choosing whether to hire home-country nationals or host-country-nationals. In this study, all ten subsidiaries staff host-country nationals which has its advantages and disadvantages which were discussed in in Chapter 2 (Dowling & Welch, 1988). Once more, it also important to note that based on the data collected and analyzed, it could be said that the level of adaptation within the same practice (recruitment and selection) varies according to the targeted public. In other words, recruitment and selection of senior managers is more standardized, following specific criteria and using standard tools whereas for supervisory and below positions, the subsidiary has a certain flexibility in the recruitment and selection process but within the guidelines (Harris & Morran, 2001).

6.2.2.5 Compensation and benefits

The compensation and benefits is placed on the continuum (Figure 17) between “partially adapted” and “Totally adapted”. The reasons for this positioning were detailed in Chapter 4. Compensation and benefits are adapted to the local context (labor law, cost of living, and competitors) and for several reasons (not to violate the local laws, stay competitive, retain employees, and motivate employees). Locally developed benefits were initiated in several subsidiaries to fill an institutional gap (for example unreliability of NSSF) or to motivate employees (benefits as motivation tools). The reasons behind adaptation will be discussed in the next section. The findings once more confirm the literature. The compensation and benefits is the instrument which is the most vulnerable to adaptations in subsidiaries. Brewster (2002) states: *“At the extremes, the arguments are clear: pay levels for locally recruited and employed staff are determined locally [...] Relevant pay rates within the local community will be unknown to specialists at the headquarters of the organization. Paying people the same salary wherever they work makes little sense in a world where living standards vary considerably between countries”*. The isomorphism phenomenon is clearly observed in compensation and benefits. Companies that share the same institutional environment will become isomorphic to each others (DiMaggio & Powell, 1983). Rosenzweig & Singh (1991) state: *“The subsidiary will experience the pull to adapt local practices that are legitimate in the local institutional environment of the host country and at the same time, it will experience the pull to achieve internal consistency in the company by adopting practices from the*

headquarters”. In this study, subsidiaries were isomorphic to local companies in terms of benefits offered (stay legitimate in the local institutional environment) and at the same time several subsidiaries provided their employees with benefits transferred from their parent companies such as life insurance, pension and profit-sharing schemes. Mitra et al. (2007) have dealt with compensation and benefits in MNCs. They state: “*It is imperative to gain a better understanding of how MNEs balance global and local pressures in designing and implementing international compensation and rewards systems*”. Global consistency in designing “compensation and benefits” in MNCs is found in the literature. Evans et al.(2002) consider that an “*integrated compensation system derived from a transnational strategy is designed with the goal of aligning a geographically fragmented workforce around common principles and a set of common objectives*”. This consistency was justified by the human resource managers interviewed who considered that C&B is totally adapted while respecting the guideline of the MNC. The aim behind such guidelines, although the practice is somehow totally adapted, is to ensure global transparency including equal treatment of employees across all subsidiaries. The main challenge MNCs are facing is how to create a system that operates effectively in several countries exploiting local differences while staying globally consistent. The will of not violating local labor law (example of AM1 HR manager, Chapter 4) was expressed by several HR managers interviewed. The adaptation of compensation and benefits is viewed as crucial in order to stay legitimate in the country. The findings also confirm the literature. Gomez-Mejia & Welbourne (1991) state: “*Mismatches between these cultural, social or political attributes and global consistent compensation systems may result in a number of dysfunctional effects as for example problems in attracting and retaining employees, labor relations conflicts or ineffective employee behavior*”.

All HR practices were somehow adapted in the 10 MNC studied. However, the degree and the intensity of adaptation varied across practices and sometimes within the same practice. Variations of the degree of adaptation within the same practice is due to hierarchical level of the employee targeted by the practice (Managerial position versus non-managerial position) and to the “strategic importance” of the practice to the MNC. This conclusion is also consistent with the literature which shows that there is now considerable evidence that MNCs will bring into their subsidiaries their practices but is in general likely to conform to national practice (Di Maggio & Powel, 1983; Maurice et al., 1986; Due et al., 1991; Rosenzweig & Nohria, 1994; Hollingsworth & Boyer, 1997; Cleveland et al., 1999; Brewster et al.,2000).

6.3 Research issue 3: Host-country Effects

6.3.1 Analysis of data on Research Issue 3

This section analyses the host-country effects on the transferred human resource practices. Socio-cultural, legal and business specific issues are possible factors behind the adaptation of certain practices in the Lebanese subsidiaries. The research issue investigates:

RI3: *What are the cultural, societal, legal and business specific issues behind possible adaptations of human resource practices?*

As an introduction for this research issue, it is necessary to see whether human resource managers in the Lebanese subsidiaries see any differences between the local context which is in this case Lebanon and the home-country culture of their multinational company at work. This table is useful to see whether human resource managers live a duality between the national culture where the subsidiary is implemented and the organizational culture of the multinational company or what they perceive as the national culture of the company's home country. The table 55 below summarizes findings about the ten multinational companies investigated:

Table 55: Perceptions of human resource managers about cultural differences

Multinational company	Themes mentioned	Key quotes by human resource managers
AM1	Importance of personal relations at work: High in Lebanon, low in USA	<i>I think for core HR practices, it is the same everywhere. Maybe the how might be different. For example if you are willing to do a forum for people communication , in Lebanon you might choose to do a monthly in touch meeting where you celebrate organizational announcements, promotions , birthdays and this might be a successful practice. In the US, this might be different, you can do it differently yet the objective is one: people communication. The flexibility is in the how and not in the final objective.</i>
AM2	Importance of personal relations at work: High in Lebanon, low in USA Respect for privacy: High in USA, low in Lebanon	<i>The requirements, the code of conducts and the guidelines are very American but the practice follows the market. In our culture, how is your father, how is your mother doing are normal questions. We don't take things personal. For example, we had a French general manager, if you ask him how your family is; he would think it is an interference in his personal life while in our culture it is very normal to ask each others, this is the kind of difference in culture.</i>
AM3	Team spirit, work pressure and load : High for American, low for Lebanese	<i>We are great team players here, but maybe inter-departmental we're not as much. This is a bit Lebanese. This came up when we did Global voices (employees survey). We feel each department is working on its own and they somehow compete although it's the same company and everyone should be working together. I always say that if I leave AM3 there's no way I could work in a local company. The pace that we work with is different. The pressure and the work load that we work with, is completely different.</i>
AM4	Respect for regulations: High for Americans, low for Lebanese “Ego” high among Lebanese	<i>They go by the book, they read too much, they appreciate people efforts, they comment positively, they motivate. They know how to send messages to people in a positive way. Still the Lebanese culture shows, they don't care too much for regulations. The Lebanese people believe they are the master and the best, they have the ego problem.</i>
FR1	Importance of planning: High for French, low for Lebanese	<i>You'll be connoting on the fact that we'll be doing it like “as comes” without any planning. So, no, it's not Lebanese; it's between French and international</i>
FR2	Lebanese positive characteristics: quick adaptation, openness, multi-linguistic, exposure. Lebanese negative characteristics: ego, corruption, individualism, selfishness. French characteristics: fair treatment of employees	<i>The added value as a Lebanese is our quick adaptation to change and our openness, the multi-language and the exposure. We have an advantage over others is that we can quickly adapt to the situation. This is helping us. The negative side is our mindset, our ego, our selfishness, our corruption. Basically, our mindset and our ego. Mindset in a way that we don't have a collective mind; we are not team oriented, very individual.[...] It is a French company. They are very fair, treating everybody based on competencies and on productivity, on the way of behaving</i>

Chapter 6: ANALYSIS OF CASES -UNDERSTANDING THE ADAPTATION PROCESS

UK1	Young generation in Lebanon who studied abroad doesn't cause problems.	<i>We don't have the older generation where they still...You have people who have worked outside, you have people who studied outside, and it is a young, it is a very young office. We're (if you want) adapting this</i>
UK2	Lebanese positive characteristics: quick adaptation, openness, multi-linguistic, exposure British characteristic: people-oriented Conflict between values of the company and the corrupted local context	<i>Lebanese are open-minded, exposed, flexible, adaptable and multi-linguists. The British impact is minimal. I can say, it is people-oriented and its affects positively the relation between the company and the employees.[...]There is a conflict between values versus corruption.</i>
CH1	Lebanese characteristics: pride, emotional, no segregation between personal life and work, corruption. Swiss characteristics: honesty	<i>I think what the characteristics of Lebanese -is pride. They are very proud. sometimes we are a bit emotional. Lebanese could be a bit emotional. They do not segregate between what is business and so... "I'm your friend. I was yesterday having dinner with you." Yes, but this has nothing to do with what I need you to achieve.[...] Sometimes you find auditors coming and telling you, "Instead of paying that much taxes, you pay us under the table few thousand dollars and we off write everything." They go nuts when they know that we are ready to pay 500 thousand dollars instead of paying them 5000 dollars under the table. They don't understand it. This is Swiss honesty maybe</i>
CH2	Swiss characteristics: punctuality, quality, honesty. Lebanese characteristics: strong values Local context problems: corruption, clientalism.	<i>Everything we do is based on the Swiss model. For instance we focus a lot on punctuality, on quality, on honesty, and the personal touch which is a Swiss but can be a Lebanese value as well. We focus on the fact that everything we do we have to do it with passion. And this is our slogan: Passionately Swiss. Every time I give a warning to an employee, I get a phone call from a political party or figure. And my reply is always the same for them all, and I think this is why I have lasted in this position till now. What I tell them is that I'm here to apply the law and my tool is the law. Some employees sometimes threaten me of going to the ministry of labor. I encourage them to do so because I have nothing to fear, all I'm doing is to abide by the laws. It's a culture of who's more powerful and who can break your word</i>

(Source: Developed for this study)

As a result of the above table, the table below shows the key cultural issues differences among countries: Lebanon (host country) and the home countries of the multinational companies investigated: USA, France, United Kingdom and Switzerland.

It is necessary to note that these cultural issues were developed based on the perceptions of the human resource managers interviewed at work. These sometimes conflicting issues were observed by these human resource managers at work. These issues show the dilemma between the national culture of the home country, the national culture of the host country and the organizational culture. According to the human resource managers interviewed, these issues mentioned affect directly or indirectly the productivity at work, the relationships among employees at various levels and the sometimes the achievement of objectives.

Table 56: Differences between countries investigated

Lebanon	USA	France	UK	Switzerland
<ul style="list-style-type: none"> -Importance of personal relations at work. - No segregation between personal life and professional life - Low team spirit - High ego and pride - Openness - Adaptability -Exposure - Multi-linguistic - Corruption - Clientalism - Selfishness - Reactive (no planning) - No respect for regulations -Emotional 	<ul style="list-style-type: none"> -Personal relations at work are not important - Personal questions are not appreciated - High team spirit - High respect for regulations 	<ul style="list-style-type: none"> - Importance of planning - Fair treatment of employees 	<ul style="list-style-type: none"> People-oriented (motivators, employees welfare) 	<ul style="list-style-type: none"> - Honesty -Punctuality - Quality - Doing things with passion

(Source: Developed for this study)

From the above two tables, It is clear that there are conflicting values at work. Employees in the Lebanese subsidiaries come to the multinational company and bring with them cultural values that are embedded in their national Lebanese culture. These cultural values remain and sometimes conflict with the organizational culture which is mainly affected by the national culture in which the multinational company is headquartered.

Several positive characteristics about the Lebanese culture were mentioned by the Lebanese human resource managers which they considered as an added value at work. The first characteristic is the openness of Lebanese people. This characteristic is very important for an employee working in a multinational company. The openness might facilitate the absorption of new ideas, new working methods, even a new organization culture. Lebanese are also adaptable quickly according to several human resource managers interviewed. This is also an added value especially for the transfer of human resource practices. Employees tend to adapt easily to new practices and working procedures with minimum resistance.

Lebanese are very exposed. Exposure in this sense means having worked abroad, lived abroad or studied abroad (Pheraon, 1993). This exposure for the “international” is also a major advantage for multinational companies operating in Lebanon. Employees are open to working systems that are different than their local working systems. Besides exposure, Lebanese speak minimum three languages which also facilitates work especially in multinational companies where the Lebanese subsidiary has to deal with the headquarter and other subsidiaries in the world. As for the negative attributes of the Lebanese culture observed in the employees of the Lebanese subsidiaries, they are numerous.

A commonality between the two American multinational companies AM1 and AM2 is the importance of personal relations at work (Yousfi,2010). This characteristic might not be negative as it is but might sometimes conflict with the organizational culture. The human resource manager of AM2 mentioned that they had a French general manager for the subsidiary in Lebanon who had interpersonal relations problems with employees asking sometimes questions perceived as too personal from his side (Yousfi, 2007;2010). As for AM3, the team spirit lacks among Lebanese employees, maybe less within the same department but more among departments. She specifies that departments should not be competing in the negative meaning of the word; instead, departments should work in a synergy to achieve the organizational goals. She has also pointed out that Lebanese employees who worked previously in local companies are not used to the work load and pressure found in American companies. For her, she is now used to this rhythm and she cannot go work for local companies. AM4’s human resource manager in Lebanon talked about the respect of regulations in Lebanon. She considered that sometimes there is a clash between the company’s culture which is highly regulations-oriented (“*They go by the book*”) and the employees’ perceptions of the importance of respecting these regulations. For the

human resource manager of FR1, planning is very important in the French multinational company. However, Lebanese tend to be more “reactive” meaning that they live day-to-day and only react if an unexpected event occurs.

As for the human resource manager of FR2, the main thing he appreciates about the French multinational is that it treats all employees fairly and based on their competencies, behaviors and productivity. However, he was also very critical when talking about Lebanese as selfish and individualists. For him these attributes can be a major problem at work.

For UK1, the human resource manager was very optimistic considering that she doesn't see any cultural conflicts at work and she explains this phenomenon by saying that all employees are young, did their studies in foreign universities and are well-exposed. She considers that maybe conflicts would have occurred if the employees were from the older generation. As for UK2's human resource manager, the main characteristic she appreciates about her company is its orientation towards the welfare of its employees. However, she didn't deny the fact that there are sometimes conflicts between the values of the company and corruption which is spread in Lebanon. The human resource manager didn't also deny that Lebanese have attributes which are an added value for the company like their openness and their quick adaptation to any situation (Nasser & Abouchedid, 2003).

The Swiss multinational company's CH1 human resource manager in Lebanon elaborated on this issue by considering that Lebanese are very proud (“*which is not necessarily bad*”) and emotional. However, a main issue that he considers problematic at work is the inability of Lebanese to have a clear division between their personal life and their professional life (Khalaf, 1987; Trompenaars, 1993).

Moreover, he considered that in the mindset of Lebanese, the relationships among employees must be the same during work and outside work. If a manager has lunch with his subordinates, they might take him as a “*friend*” and this might cause problems at work as to the respect of the employees towards their manager and the image they will have of him. For CH2, the human resource manager, the differences are so obvious sometimes between the two cultures: the Lebanese and the Swiss. She has contrasted honesty (for the Swiss) with corruption mainly clientalism (for the Lebanese). She has elaborated on this issue by saying that she might get phone calls for political parties or officials whenever she gives a warning to

an employee. She always shows indifference to these pressures by explaining that she is abiding by the law. She explains further that it is a culture of “*the more powerful*” in Lebanon meaning that if a person shows a weakness, he will be dominated right away and will have to surrender to pressures.

In brief, it is clear that there are cultural differences among the five countries studied and these differences show from time to time at work in different situations.

The ten human resource managers when asked about how they try to neutralize these differences, they all answered that the main tool is the organizational culture which must be strong enough to weaken the effects of cultural differences at work. The human resource manager of CH1 talked about the “*CHI gentleman*”. The human resource managers of FR1 and AM2 considered that their employees find it difficult to leave the company and work in another company because they become highly attached to the values of organization.

As for the host-country effects (socio-cultural, legal, political, economic, professional) behind possible adaptations of transferred human practices which is the core of this third research issue, several factors were identified based on the interviews conducted with the human resource managers interviewed. A cross-case analysis was conducted to find general tendencies among all the ten subsidiaries investigated. Tables for each human resource instrument is developed along with the corresponding host-country effect that was possibly behind a possible adaptation of the practice. The link between each adaptation and the host-country effect identified is supported by a quote from the human resource manager interviewed.

The following table 57 explains the reasons behind the adaptations of the code of conduct.

Table 57: Host-country effects- Code of conduct adaptation

Element adapted	Host-country effect	Explanation	Key human resource managers' quotes
Personal questions	Cultural	Normality to ask personal questions, strong interpersonal relations at work	AM2: <i>In our culture it is very normal to ask each other personal questions</i>
Politics at work	Socio-cultural	Political diversity and sensitivity in Lebanon, political affiliation linked to religion, sect or origins	CH2: <i>When country is not stable, I send a reminder e-mail about political discussions</i>
Acceptance of gifts (bribery)	Social	Bribery is common in Lebanon	FR1: <i>We took proactive measures for the gifts issue, bribery is everywhere</i>
Employment of relatives	Socio-cultural	Nepotism, tribal spirit, clans, "Wasta"	CH1: <i>we will be stricter in applying business conduct here, and we said that we will not allow the employment of relatives; We have chosen to be little bit more strict in this application in this part of the world; given the specificities of this world</i>
Sexual harassment	Cultural	Issue not emphasized in Lebanese culture, openness of Lebanese, equality between men and women (different from other Arab countries)	AM3: <i>Within our culture it's not an issue, but if someone wants to make it an issue, he/she can and there will be an investigation</i>
Discrimination (religious, political, regional)	Socio-cultural	High diversity of sects, political affiliations and regional specificities	UK2: <i>we don't have in Lebanon races and ethnicities, it is irrelevant for us. We have adapted it to religious and political discrimination.</i>

(Source: Developed for this study)

As it shows in the table above, host-country factors behind a possible adaptation of the code of conduct are mainly socio-cultural. The interviews show for all subsidiaries that there was little resistance by local employees to the content or the application of the code. All employees signed the code even when they fully agreed with its content. However, the analysis of comments given by the human resource directors shows that there exist recurring problematic themes during the transfer of codes which highlight certain specificities of the Lebanese context. The first theme is the difficulty to prohibit personal questions at work. This difficulty is related to the fact that there is no separation between private and professional life in Lebanon which results in a more personal and more emotional management style

(Trompenaars, 1993; Yousfi, 2007,2010). Similarly, discussions and sexual jokes which are prohibited by American codes at the workplace seem to be a common practice in the daily life of certain Lebanese firms and the majority of those who have pointed out this issue are women, which show that the Lebanese culture is more open and different from the stereotypes Westerners have about Arab countries. Discrimination is another subject that has created difficulties and has been interpreted not in the American sense of ethnic discrimination, but in different forms (religious, sectarian, political, regional) that are more appropriate to the Lebanese context and the religious diversity. The corruption theme was also underlined by our respondents and several subsidiaries have accentuated sections of the code that are related to corruption (acceptance of gifts, clientelism, etc.). The last theme discussed in this study is the importance of the clans and families in Lebanon. This strong sense of belonging and collective power has resulted in the change of the code of one of the subsidiaries studied which has now made it more difficult to recruit family members. Political discussion and debates at work reflect the political diversity found in the Lebanese society. Almost all Lebanese are affiliated directly or indirectly to a political party which is usually linked to a certain religion or sect (Abouchedid & Nasser, 2006; Khalaf,1987;Haddad,2002; Pheraon, 1993). As a preventive action, several human resource managers prohibited political discussions at work and they were very strict in order to avoid conflicts among employees which might hinder productivity at work. The regional human resource manager of AM3 when asked about the possibility of adapting the code in subsidiaries states: *“The living is different but at the same time it is a “Bible”. It is adapted informally. Texts could be perceived differently. As long as the framework is respected, it is fine”*. This confirms that host-country factors (*“perceived differently”*) could be behind the adaptation of the code even informally (*“the living”*).

As for the recruitment and selection process, the following table 58 summarizes the main adaptations with corresponding host-country effects supported by quoted from human resource managers.

Table 58: Host country effects- Recruitment and selection adaptation

Element adapted	Host-country effect	Explanation	Key human resource managers' quotes
Sources of recruitment	Institutional	Partnering with top universities as a main and reliable recruitment source	AM1: <i>Actually, our recruiting process is standard, online system. Definitely in many market, we have to identify the key sources that we have to invest in. When we come to Lebanon, we know that for example we have to partner with the key universities.</i>
			AM3: <i>We use AUB and LAU. Not their job fairs though. We usually don't hire fresh graduates. I know job fairs are not only targeting fresh graduates but for some reason we never attended these. But we use the Alumni associations of both universities. We recruit mainly sales people</i>
			AM4: <i>We have an eye on 2 or 3 universities top in Lebanon with high GPAs because high GPAs mean you are serious, hard worker, personality, good communication skills and good presentation skills.</i>
			FR1: <i>Mainly we are very active in universities; we try to be, at least, as much as possible because you have to understand that the more developed the HR department is, the more energetic it's going to be in terms of being active in campuses. we have like 3-4 major universities we have to communicate with and build partnership with.</i>
			UK1: <i>Job Fairs, and mainly AUB. And we get a lot of CV's from AUB and mainly from a management trainee which is the fresh graduates. And we do internships, so summer internships for two months, for students who are on their last year. And if they're good we hire them as management trainees later on.</i>
			UK2: <i>We have also participated in job fairs in universities manly LAU and AUB.</i>
			CH1: <i>We've identified 5 main universities: AUB, LAU, NDU, USJ, and USEK, so that students can go and apply</i>
			CH2: <i>Our sources are mainly the universities, so we try to have a good networking with universities. We have job fairs, we had an Open Door in the hotel last month, and we have constant communication with the deans of universities and student affairs to make sure we know the candidates there are, if we need a candidate and they'd have and support.</i>
Methods of recruitment	Socio-cultural	Word of mouth and personal relations	UK2: <i>We use our employees to refer candidates, they are trustworthy and it is a retention tool.</i>
			FR2: <i>We encourage internal referencing, there is a bonus for employees and it is a motivation tool.</i>
			CH2: <i>We count a lot on personal relations to recruit.</i>
			AM3: <i>you get rewarded if you refer a qualified candidate</i>
			FR1: <i>It is very important because employees would inform their referees about FR1 culture</i>
Tools for selection	Socio-cultural	Interview questions adapted, tests adapted	CH1: <i>We have adapted the interview guide (the DDI) to include age and religion</i>
			AM4: <i>We don't do here psychometric tests, we don't see the need for it and we don't have the expertise to do it</i>
			UK1: <i>We added here the psychometric test to short list the big number of applicants</i>
			UK2: <i>The process is the same everywhere except that for the MENA region, tests done to potential hires are different</i>
Reference checking	Socio-cultural	Informal, indirect without embarrassing, not to lose face	CH1: <i>We have technique to ask without getting embarrassed, people here don't like to put down someone.</i>
			AM2: <i>We have a strict reference check but we use our personal relations to do it.</i>

(Source: Developed for the study)

From the table above, several host-country effects are identified and were behind the adaptation of the recruitment and selection process in one way or another. For the first element, the source of recruitment, almost all subsidiaries studied use universities as a main source of recruitment. Universities in Lebanon mainly old ones like AUB, LAU or USJ had historically an important role in society mainly by training the elite in Lebanon. Many politicians in Lebanon did their studies in one of these universities. Due to their long history and their solid reputation, these institutions are considered a reliable source for acquiring qualified candidates. These universities have proved to be solid institutions where students build a strong educational background in addition to competencies both behavioral and technical (AHDR,2002).

The candidates are usually multi-linguist and could easily integrate in multinational companies especially American MNCs because they have followed the American system and they are aware of the culture, the values and the system. Moreover, the ten human resource managers interviewed have graduated from one of these three universities. As a matter of fact, they identify with employees coming from these universities. The table 59 below summarizes the profiles of the interviewees:

Table 59: Educational background of human resource managers interviewed

HR manager – subsidiary of:	University	Degree
AM1	American University of Beirut	Engineering
AM2	American University of Beirut	Chemistry
AM3	American University of Beirut	Public Administration
AM4	American University of Beirut	Public Administration
FR1	Lebanese American University	Business Administration
FR2	Université Saint-Joseph	Law
UK1	American University of Beirut	Public Administration
UK2	Lebanese American University	Business Administration
CH1	American University of Beirut	Business Administration
CH2	Lebanese American University	Business Administration

(Source: Developed for this study)

From the table above, 60% of human resource managers interviewed graduated from the American University of Beirut, 30% graduated from the Lebanese American University and 10% from the Université Saint-Joseph.

The human resource manager of AM3 states: “*Our receptionist has a BA from AUB*”. The human resource manager of AM4 states: “*High GPAs mean you are serious, hard worker, personality, good communication skills and good presentation skills*”. This shows also that multinational companies in Lebanon are very demanding in terms of educational background and that’s why they chose to partner with institutions known historically in Lebanon for being the best universities nationally and sometimes at the regional level (AUB and LAU).

In brief, it is an institutional effect, which is in this case the “elitist” universities in Lebanon which has pushed multinationals operating in Lebanon to chose the option of universities as a main source of qualified candidates. Other secondary sources were also mentioned by human resource managers.

As for the second element, methods of recruitment, several subsidiaries studied rely on personal relations and word of mouth to recruit. Personal relations mean in this context using personal networks to attract suitable candidates for open vacancies (Aycan, 2005; Lee, 1999) . These networks could be employees of the company, friends, family or other stakeholders or companies which have relations with the subsidiary.

In a small country like Lebanon where circles of friends are very narrow, this method seems to be an efficient and effective way of recruiting. It is efficient because it could attract quickly candidates (time-saving) and at no costs (money-saving). It is effective because it could yield to hiring trustworthy and reliable employees who were referred by also reliable and trustworthy sources. These sources might be the employees who are rewarded whenever they refer qualified candidates (AM3, UK2, FR1 and FR2), friends (AM2), family members (CH2) or stakeholders (distributors of AM3).

The table 60 below illustrates this method with supporting quotes from human resource managers:

Table 60: Personal relations as a method of recruitment

MNC	Source	Method	Advantages	HR manager quote
AM3	Employees	Word of mouth, internal posting	Retention tool, trustworthy source, motivation tool, awareness of the organizational culture, costless.	AM3: <i>You get rewarded if you refer a qualified candidate</i>
UK2				UK2: <i>Employees are trustworthy</i>
FR2				FR2: <i>Employees are encouraged to refer</i>
AM2				<i>We use our personal relations sometimes to recruit like friends for example</i>
CH2	Friends	Word of mouth	Costless, fast	<i>I'm an employee in CH2 and I love CH2 I should be its first ambassador and I should be able to refer people and to attract people, So an employee should be able to refer a relative as long as they don't work in the same department. And I'm applying it now.</i>
CH2	Family members	Word of mouth	Costless, fast, reliable source	<i>An employee should be able to refer a relative</i>
AM3	Distributors	Word of mouth	Costless, they know the company and the requirements	<i>Being in constant contact with our distributors is a great advantage. Our main source of recruitment is people who have been working at our distributors</i>

(Source: Developed for this study)

For other multinationals like UK1, AM1 and AM4, using personal relations as method to recruit is not appreciated. The human resource manager of AM4 states: *“We avoid personal relations to recruit, they might send us unqualified candidates”*. As for the human resource manager of UK1, everyone should pass by the formal process which is an online process and even employees when referring candidates should advise them to use the normal path which is through the online recruitment system of UK1. For AM1, the recruitment process is very formal and the candidates should pass by an online system which screens applications using pre-tests.

In a small country like Lebanon (10,452 Km² and 4 Million people), it is easy to build networks based on personal relations (Yousfi, 2007). The implementation and the use of this recruitment method are specific for Lebanon. Once more, a host-country effect was behind the use of this method and therefore an adaptation of the process to better suit the local specificity of the country. Here, the host country effect is socio-cultural whereby society in Lebanon relies much on personal relations i.e. friendships, strong family ties which are governed by mutual trust (Ayyash-Abdo,H.,2001). This is the reason why human resource managers talked about trustworthiness of these sources (family, friends, and employees) which make this method of recruitment a reliable one. Even during the data collection phase, several human

resource managers asked the researcher if he could refer to them candidates for open vacancies in human resource management. One of the human resource managers interviewed even proposed a position for the researcher within the subsidiary in Lebanon. This, in fact, shows the level of informality which is sometimes high in Lebanon, even applied to recruitment.

As for the third element identified, it has to do with selection. For the human resource manager of CH1, the questions of the DDI tool (targeted selection) were too “American”. These questions were customized to better fit the Lebanese local context. An example given by the human resource manager was the addition of age and religion as necessary questions during the selection phase. He states: *“It is normal to ask about age and religion in Lebanon but it is not in the States, for us it was necessary”*. For UK1, the Lebanese subsidiary has added a psychometric test which is not required by the multinational company in order to limit the pool of applicants. For both cases, there are host-country factors behind the adaptation of a selection tool. For CH1, asking about age in an interview in Lebanon is not discriminatory as in the USA. It converges with the idea previously mentioned when dealing with the adaptation of the code of conduct which is asking personal questions is normal in Lebanon. Asking about age as perceived by Lebanese is very normal especially in an interview. As for the addition of tests to shortlist the number of candidates, it is also a local context factor because of the big number of applicants who submit their applications to multinational companies. With high unemployment rates, high number of university graduates and a limited number of multinational companies operating in Lebanon, the competition becomes harsh. The addition of a test which is an adaptation of the selection process aims at limiting the number of applicants.

The two other human resource managers of UK2 and AM4 have eliminated some tests either because they don't have the expertise to do them (AM4) or they don't see a need for them (UK2). Here, it is related to the subsidiary's role, resources and the knowledge transferred to it by the parent company. To better understand this phenomenon, it is useful to quote the human resource manager of AM3 who said that they had excellent recruitment tools transferred from the parent company but they don't know how to use them at the subsidiary. When interviewing the regional human resource manager of AM3 in Switzerland to triangulate perspectives, she states: *“The HR manager in Lebanon is right. There are no clear guidelines; some parts of the tools are not used. The reason is historical. AM3 didn't have a*

talent acquisition plan. They didn't care much about recruitment. Besides, small regions like the MENA tend to feel themselves left alone so they become more independent". This answer sheds the light on a very important issue: when the practices are not properly communicated to subsidiaries, subsidiaries tend to develop their own practices. Here, the regional office argues that the necessity to adapt or develop subsidiary-specific practices is sometimes related to the subsidiary-headquarter relation and the place of the subsidiary within the multinational company. Furthermore, she explains that the reason behind not having a formal and structured maybe standard recruitment and selection process has to do with the history of the multinational company which didn't have a well-established platform for recruitment. This culture also spread among subsidiaries which felt that they have to act somehow independently with regard to recruitment and selection procedures.

The last element of the recruitment and selection process which has been found to be adapted is the reference checking procedure. Two interesting examples are CH1 and AM2. For the human resource manager of CH1, reference checking is not done formally. In other words, the reference is called and approached indirectly when asking about the candidates. The human resource manager of CH1 notes that it is not a "Lebanese tradition" to put people down meaning that people usually avoid criticizing others especially if their critique could lead to a loss of a job opportunity for someone. It is also the case for AM2 human resource manager who considers that many times she has to use her personal relations to reach the reference.

It is clear that there are host-country factors behind this "indirect, informal, friendly" reference checking. The first factor is socio-cultural whereby Lebanese tend to be less confrontational and they don't like to lose face, to criticize others and to be criticized. The second factor is more religious. In Islam, "cutting the job of someone is like cutting the neck of someone". It is to show how serious it could be to influence negatively the decision to recruit someone through reference checking.

Table 61: Host-country effects- Training and development adaptation

Element adapted	Host-country effect	Explanation	Key human resource managers' quotes
Delivery method	Socio-cultural	Age of the trainer, familiarity with the culture, communication style	AM1: <i>The trainers put the local touch because the material is standard but the context or the core might be tailored because training depends on the audience, seniority, areas of interest, etc..</i>
			FR1: <i>The trainer is Lebanese, employees in the region identify more"</i>
Content	Subsidiary, Market structure, professional culture	Individual needs, subsidiary needs, market needs, job needs	AM2: <i>We have customized selling techniques programs; The core of your business is standardized, and technically they are not standardized. In the training, some people must be trained on taxes. Our accounting managers have to follow training about taxation. We have taxes in Lebanon but there are no taxes in the Gulf. The differentiation between the countries would impose different kinds of training.</i>
			AM3: <i>We are working on an individual needs assessment</i>
			AM4: <i>We have training programs about taxation and the central bank regulations.</i>
			FR2: <i>For internal training, we train our field force with the needed competencies. We develop this internally; the business support department is responsible for the field force training, with collaboration with the HR department and the sales department.</i>
			UK1: <i>Training is decided according to needs not according to country</i>
			UK2: <i>If there is an individual need, we develop local programs</i>
			CH1: <i>We chose courses that are relevant for Lebanon but from a list of standard courses.</i>
			CH2: <i>We have the standard training that you have to have plus you have your analysis to recognize training needs so that you have your own trainings accordingly.</i>

(Source: Developed for this study)

As it shows in the table above, the training and development process is adapted at two different levels. The human resource managers of subsidiaries of AM1 and FR1 talked about the adaptation of the delivery phase. Both have talked about the trainer style that should be adapted to the culture. The human resource manager explained that the interaction between the trainer and the audience is essential for the success of the training program. In other words, he considers that the trainer should be preferably Lebanese in order to know how to communicate with the audience in terms of eye-contact, body language and level of formality. He talked about the age of the trainer with respect to the age of the audience. For him, in Lebanon it is important that the trainer be older than the audience which gives the trainer more credibility. As for the human resource manager of FR1, she considers that the trainer

should be Lebanese because the trainees would identify better with him. She has also mentioned that Lebanese trainers are used all over the region because they are culturally aware of the regional culture too. The host-country factor here is cultural and has affected the delivery of the training programs in these two subsidiaries. As for the other subsidiaries, the content was either adapted or remained standard but with the development of local programs to better meet local needs. It is important to distinguish two categories of subsidiaries: from one side AM2, AM4 and FR2 which have adapted the content of some programs to meet the requirements imposed either by the profession or by the sector in Lebanon and from the other side AM3, UK1, UK2, CH1 and CH2 which have standard programs but which have the possibility of creating new programs usually based on individual needs. The first category of multinational companies was obliged to adapt since many jobs are closely linked to the local professional culture. For example for AM4, which is a multinational company providing auditing services, the adaptation of the contents of transferred standard programs was a necessity for auditors working in Lebanon. They were adapted to integrate topics such as taxation and central bank regulations. The adaptation here came as a necessity imposed by the local professional culture which is in this case very strong due to the nature of the job and the sector the multinational company is operating in. As for AM2 and FR2, both multinational companies depend on salesmen (insurance agents for AM2 and medical representatives for FR2) to sell their products. As a matter of fact and as explained by both human resource managers interviewed, it is important for these employees to know well the Lebanese market and the selling techniques. The human resource manager at AM2 explained that there exists a course in “selling techniques” that is transferred from the USA but “*it is adapted to what we need as selling techniques*”. When asked about what it is the difference between the standard program and the adapted one, she explained that it is essential to understand how to prospect new clients in Lebanon, how to better manage time and territory to get the optimal route and how to approach the prospective client in terms of communication and negotiation. It is also obvious in this case that the professional culture of the “insurance agent job” is closely linked to the local market requirements and to the local market which makes transferred standard programs irrelevant to the requirements of the job which depends strongly on the local context of the country (Market and culture). As for FR2, the case is similar but the products sold are different. FR2 depends heavily on their medical representatives to sell their medical products. Besides having to follow standard “technical programs” about the products and the company, these medical reps should also take courses in selling techniques. Once more and as explained by the human resource manager, the adapted program integrates “*local selling techniques*

required ensuring better results in the field". As for AM3, training programs are very technical as a result of the "high-tech" nature of the medical devices sold by the company. As mentioned earlier in this study, the standard nature of these programs is caused by the avoidance of mistakes ("*Our products are life saving*"). The regional human resource manager interviewed in Switzerland agreed that training programs are standard at AM3. However, a degree of freedom is given to the subsidiary to decide upon its training needs. She states: "*For example sales skills, it is adapted to the market. We sometimes ask the subsidiary if they want to run a certain program and they might agree or disagree. They decide upon the need*". Training programs are thus not imposed but suggested and it is the subsidiary which knows best its training needs.

As for the second category of multinational companies, there is no possibility of adapting the content of transferred programs. Still, when there are individual needs usually identified through needs assessment, local programs could be developed to meet these emerging needs. For the two British multinational companies UK1 and UK2, it was clear that the local programs are developed as an answer to an individual need and not to better respond to the local context of the country. The human resource manager at UK1 states: "*Training is decided according to needs not according to country*". As for the human resource manager at UK2, she states: "*If there is an individual need, we develop local programs*". The human resource managers in this case explained that sometimes these individual needs cannot be met by the standard programs transferred so a program developed locally becomes a necessity. As for CH1, the subsidiary has access to a list of standard courses proposed by the parent company and it is the decision of the subsidiary to choose which courses are relevant to local needs without adapting the content of any of these courses. The case of CH2 is similar to the two British multinationals and also to CH1 whereby there are standard programs to be followed coupled with locally developed programs that meet the individual needs of employees. This combination, according to the human resource manager, better satisfies the training needs of the subsidiary.

As for the performance appraisal, the following table 62 shows adaptation and possible host-country effects behind these adaptations.

Table 62: Host-country effects- Performance appraisal adaptation

Element adapted	Host-country effect	Explanation	Key human resource managers' quote
Performance appraisal interview	Socio-cultural	Less confrontational, not lose face, helping licensed employees (guilt)	CH1: <i>Managers here tend to be less confrontational. We don't say negative things in the face directly.</i>
			FR2: <i>I sit with him, it is a counseling session and help him find another job if he has to leave.</i>
			AM2: <i>After explaining and discussing informally we tell him that we are not happy, if you can submit your resignation. [...] We continued to help a licensed employee get his medical bills reimbursed during 6 months without informing the national social security fund.</i>
Dealing with negative performance appraisal	Socio-cultural	People don't like to rate negative (small country, interpersonal relations), calibration not understood by employees, licensing is not easy.	AM3: <i>it is very difficult to rate "1"; people don't understand the calibration concept. We don't license at AM3, it is like this at AM3.</i>
			FR2: <i>We don't judge the employee; it is the responsibility of his boss.</i>
			CH2: <i>It is the responsibility of the department head not the employee.</i>
Period given to improve performance	Socio-cultural	Employees are given a more extended period than what is set in the guidelines to improve their performance	AM4: <i>Employees are given several chances to improve.</i>
			CH2: <i>We give six months sometimes even more for the employee to redress his situation</i>

(Source: Developed for this study)

As mentioned earlier in this study, when the human resource managers were first interviewed, they all said that the performance appraisal is standard and no adaptations could be executed. However, during the validation interview and when asked about how do they perform performance appraisal interviews and how negative performance appraisals are treated, interesting elements appeared that could confirm an attempt of subsidiaries of adapting the performance appraisal process. The aim of this section is to identify the possible reasons for such adaptations.

The first element observed is the performance appraisal interview. Here, the approach is different. The reasons behind this different approach are socio-cultural. During the performance appraisal interview, managers are less confrontational and try to criticize in a more indirect way (CH1). This managerial attitude has a socio-cultural dimension. In Lebanon and the Arab world, people avoid conflicts, try to minimize criticisms of others and don't like to be criticized. As for FR2 and AM2, the performance appraisal interview takes the form of a counseling session especially if the employee has to be licensed. The human

resource manager feels responsible for finding a new job for the employee using his personal network. The human resource manager explained how she helped a licensed employee because he had a special situation at home. The reason behind this “soft” approach with employees is also socio-cultural. It was mentioned several times in this study that people don’t like to lose face because of the strong interpersonal relations among them. In a small country like Lebanon, a negative attitude towards an employee could have a negative effect on the human resource manager himself and on his company.

The second element observed is the issue of negative performance appraisals. The most interesting case for this issue is AM3. The human resource manager considered that it is difficult to rate someone negatively and explained how employees cannot understand the concept of calibration in allocating different ratings for employees. She also considered that at AM3, it is difficult or even very rare to license employees because of the corporate culture at AM3. The reason for not being able to rate negatively is also socio-cultural for the same reasons mentioned in the previous paragraph. However, what she considered to be part of the corporate culture (not to license) is also socio-cultural according to the regional human resource manager interviewed in Switzerland. The regional HR manager answers when asked about licensing employees at AM3: *“No. It is cultural. Of course we fire people”*. Moreover, she links the approach used in dealing with negative performance appraisals to socio-cultural factors but also to the history of the subsidiary. He states: *“Each time I visit Lebanon, I have a headache because of negative performance appraisals. Lebanon and the region are emotional. But this is also historical. MENA was historically very performing which created a feeling that all employees are good. This is wrong because there should be a division between individual performance and company performance. Performance for them is linked to numbers. For us it is also linked to competencies and behaviors. The managers there are not able to do the transition. Individual performance is not the same as the performance of a department”*. From this statement, it could be said that there are different perceptions of performance and this difference is linked to the history of the subsidiary which could not see the difference between the performance of individuals and the performance of the department. Moreover, the regional HR manager when asked about the calibration problem, she explains: *“I guess it depends on the maturity of the manager. You know what they do in Lebanon: If an employee comes to complain why he got a 3, the manager would answer that he wanted to give him a 4 but it is because of the calibration. It is cultural. People avoid personal conflicts”*. The statement of the regional HR manager came to confirm that the reason behind

the attitude of both the managers and the employees are cultural. People are “less confrontational” (CH1) and tend to avoid personal conflicts.

As for the third issue observed within the performance appraisal process is the period given to employees to rectify the situation. Two human resource managers talked about “giving more chances” or “giving even very long periods” to employees to ameliorate their performance. This managerial behavior towards employees can be explained socio-culturally. People in Lebanon are more relationship-oriented than task-oriented which shows why managers take a more “humanistic” approach in dealing with the situation.

Finally, the table 63 below shows the adaptation of compensation and benefits in subsidiaries and the host-country effects behind these adaptations:

Table 63: Host-country effects- Compensation and benefits adaptation

Element adapted	Host-country effect	Explanation	Key human resource managers' quotes
Salaries level	Labor law, competition, cost of living	Salaries are adapted to the labor law (above the minimum salary), to other MNCs in the sector (benchmarking), and to cost of living (inflation)	AM1: <i>You have to be compliant to the local labor law</i>
			AM3: <i>They are market-based related to multinationals. We look at other multinationals in Lebanon</i>
			CH1: <i>We definitely have to abide by the local law that we will never pay anything below the minimum salary that is mandated by the government</i>
			UK1: <i>We follow what the market gives as local benefits</i>
			FR2: <i>We make market surveys, salary surveys and we take into consideration the competitors</i>
Obligatory Benefits	Labor law	All MNCs give the benefits imposed by the Lebanese labor law	AM2: <i>The benefits are set to respect the labor law, we can never go below the labor law but we can provide better</i>
			FR1: <i>Even the benefits; they are adapted to the local law of the country</i>
			CH2: <i>Benefits according to local laws and market.</i>
Additional Benefits	Professional culture, Lebanese institutions	MNCs give additional benefits such as pension, schooling and transportation because of Lebanese institutional weaknesses	AM3: <i>pension is a need in Lebanon</i>
			AM2: <i>We give pension, no national one and schooling is expensive</i>
			FR2: <i>Car allowance for medical representatives is necessary in Lebanon</i>

(Source: Developed for this study)

From the table above, compensation and benefits were also adapted to the local context at three different levels: salaries, obligatory benefits and additional benefits. For the salaries, as all human resource managers noted, they are adapted first to the local labor law i.e. giving the minimum salary imposed by the labor law, second to the cost of living of the country and third to the salary levels paid by competing MNCs (benchmarking). The host country factors behind this adaptation are legal (labor law), market related (competitors) and economic (cost of living). As for the benefits, they were also adapted mainly to meet the obligations of the local labor law. The Lebanese labor law imposes on companies to give employees transportation which is a daily amount fixed and updated regularly by the government (according prices of gasoline) and to integrate them in the national social security fund. Besides these benefits, the annual leave is fixed to 15 days per year plus official national holidays. The host country factor here is mainly legal (labor law). The MNCs studied all meet the obligations of the Lebanese labor law and in most cases provide additional benefits. These additional benefits could be categorized into two categories: standard benefits and locally developed benefits. The standard benefits are given in all the subsidiaries of the MNC regardless of the country (Family insurance in CH2, gym allowance in AM3, life insurance in AM4) in addition to obligatory benefits imposed by the local country's law. However, there are locally developed benefits that were conceived by the subsidiary. These subsidiaries considered that there is a need for such benefits in Lebanon and as a matter of fact reported to their headquarters and got the approval to give these benefits specifically in their subsidiaries. This shows that several subsidiaries could take initiatives and develop their own local practices after convincing their headquarters that there is a real need for such practices. AM2 and AM3 developed a special pension program for the Lebanese subsidiary after getting the approval from their headquarters. Human resource managers considered that the national social security system is not reliable and they saw in these pension plans as a necessity and as a motivation tool for employees. AM2 also gives schooling allowance in Lebanon which is a necessity according to the human resource manager (high costs of private education, poor educational level of public schools). As for FR2, it is the professional culture of salesmen and the unreliability of the public transportation system which imposed car allowance as a benefit to be given in the Lebanese subsidiary. The host-country factors behind these benefits are mainly institutional (National social security, public transportation, public education). In this case the subsidiaries are filling the gaps found in the institutional context by providing benefits that would motivate employees and give them more security. The regional human resource manager of AM3 when asked about these "locally developed benefits" said: "*They*

had an argument that they have benchmarked other MNCs and they were all giving a pension. They also said that it would be an advantage for the company, employees would be more motivated". The subsidiary here succeeded in convincing the headquarters of giving benefits that were specifically conceived for the country they are operating in.

In brief, the main findings of the research issue 3 confirm that there are cultural, institutional, legal and business specific factors behind the adaptation of practices in the Lebanese subsidiaries.

6.3.2 Summary of findings on Research Issue 3 put in context with available knowledge

This section discusses the findings of this study with respect to research issue 3 and compares them to the existing literature. The research issue investigates:

RI3: *What are the cultural, societal, legal and business specific issues behind possible adaptations of human resource practices?*

As discussed earlier, several host-country factors behind the adaptation were identified. However, before drawing some conclusions about these factors, it is important to note that the host-country factors identified didn't have the same impact on each of the practices studied. This is consistent with the literature whereby Bae et al. (1998) confirm that each of the factors affecting HRM transfer has differing degrees of impact on the transfer of individual practices. As a matter of fact, practices were analyzed separately in Chapter 4 which is also strongly advised by Lu & Bjorkman (1997) who consider that there is a need to describe and analyze each HRM practice separately rather than, as in most international HRM research, using an aggregate measure of HRM practices.

6.3.2.1 Socio-cultural factors

Several socio-cultural factors were identified that were behind the adaptation of HR practices in the Lebanese subsidiaries. The cultural factor was found to be behind several adaptations of HR practices in the Lebanese subsidiaries studied. The importance of the cultural factors as stimulus for adaptation of HR practices is also consistent with the literature. Laurent (1986) and Schneider (1988) consider that among all management practices, HR practices seem to be

the most vulnerable to cultural differences and are the least likely to travel from one country to another. The literature is rich with research about the effect of national culture on HRM policies and practices (Easterby-Smith et al., 1995; Gooderham et al., 1999; Hofstede, 1993; Khilji, 2003; Newman & Nollen, 1996; Rosenzweig and Nohria, 1994; Schuler & Rogovsky, 1998; Sparrow & Hiltrop, 1997; Tayeb, 2005; Yuen & Kee, 1993). Moreover, the cultural impact on practices studied was more evident in some practices (code of conduct, recruitment and selection, performance appraisal) more than other practices (training and development, compensation and benefits). These findings are also consistent with the literature. The degree of cultural impact on HRM practices differs according to the specific practice, subsequently affecting their level of transfer (Rosenzweig & Nohria, 1994; Lu & Bjorkman, 1997). The degree of cultural impact on HRM practices differs according to the specific practice, with some practices being more “culture-bound” than others (Easterby-Smith et al., 1995; Myloni, 2002; Yuen & Kee, 1993).

However, it is important to note that the role national culture was widely criticized considering that globalization and world trade are providing the vehicle for the dissemination of a variety of management practices through numerous countries and cultures (Floyd, 1999). This study confirms that national culture is still affecting management practices especially HR practices. It confirms the findings of Hofstede (1991) who considered that even in a company with strong organizational culture, national culture in a subsidiary is still marked. The evidence is that MNCs studied have a strong organizational culture and still their subsidiaries are affected by the national culture of the host-country (ref. 5 out of 10 MNCs studied are Fortune Global 500).

The key socio-cultural elements identified are listed below:

Lebanese have their own perception of business ethics and corporate social responsibility. It is important to note that in this study managers interviewed are all Lebanese but working in multinational companies. They might have different points of views concerning ethics and corporate social responsibility than what is found in their MNCs’ codes of conduct. Thus, their perception might be affected by their national culture. This is consistent with the literature about the perception of business ethics and corporate social responsibility in Lebanon. A study undertaken by Jamali & Sidani (2008) on 119 Lebanese managers made it possible to draw conclusions on the behavior of the Lebanese managers with respect to corporate social responsibility. The managers were classified into four groups according to their perception of the concept of corporate social responsibility: 57% of the

managers have a philanthropic perception of the subject. They consider that social action is necessary but do not see it as a competing advantage. Another study undertaken by Jamali et al. (2008) on the link between corporate governance and corporate social responsibility reports that 50% of the questioned Lebanese managers insisted on the internal dimension of the corporate social responsibility which includes topics like hygiene, health, safety, training and working conditions. The respondents placed themes related to employees in second place. A study undertaken on the ethical awareness among Lebanese managers (Jamali & Sidani , 2008) show that respondents gave mixed answers to various scenarios of immoral behaviors. The study concludes that decision makers prioritize end-results over questions related to transparency, the stakeholders' rights and the development of the human capital.

Corruption, favoritism and clientalism widely spread in the Lebanese society. There are main challenges that MNCs are facing in Lebanon and these challenges were clearly expressed by several managers interviewed. The main challenges are related to corruption and favoritism known in Lebanon as “Wasta”. According to Whiteoak et al. (2006), the use of wasta (clientalism) is prevalent in the Arab world. People place a great importance on the utilization of wasta. Corruption is widely spread in Lebanon and wasta is usually used to find a job because it is sometimes difficult to find one just by using normal procedures (Yahchouchi, 2009). According to Abouchedid & Nasser (2006), the major obstacle to building a modern state is corruption which directly impacts civil society in Lebanon. A culture of corruption is now rooted not only in business relations but also in personal interactions. This is the source of worries that some human resource managers have about some aspects of the Lebanese context. The human resource manager of CH1 has pointed out that he had to be stricter in the application of the clause about the acceptance of gifts. FR1 human resource manager was clear that although sometimes the company needs to have its papers processed quickly and without hassle in government agencies, it was out of question to give bribes to governmental employees. *“It is against the code, against FR1 values”* pointed out the human resource manager of the Lebanese subsidiary. Once more, the company had to be stricter in applying clauses related to bribery. This was also highlighted by UK2's HR manager who talked about a duality between the corporate culture and the national culture or even conflicting values. The code of conduct in these three cases served as a tool not only to reveal this dimension of the Lebanese culture but also to accentuate its presence.

Interpersonal relations at work are very important in Lebanon. A study by Hela Yousfi on around 50 employees in three companies in Lebanon has identified a few interesting points on the cultural specificities of management practices in Lebanon. Yousfi insists on the predominance of interpersonal relations at work and the strong emotional influence on working relations. *"When hearts melt together, cooperation rises at work"* says a respondent. Yousfi (2007) stresses in her study that Lebanese give great importance to interpersonal trust. These Lebanese specificities were clearly highlighted by managers who talked about the acceptance by employees of the code of conduct which is after all a written contract but the adaptation of the living of the code when it comes to interpersonal relations. It seems that Lebanese employees although working for multinationals with strict codes still give importance to interpersonal relations without taboos (sexual harassment). This is consistent with the work of Yousfi (2007) who observed Lebanese at work and concluded that interpersonal relations are sometimes very strong and tend to neutralize bureaucratic rules. The findings of Yousfi (2007) are consistent with the work of Trompenaars (1993) who classified Middle-Eastern countries as high in affective relationships. This dimension is related to whether emotions should be exhibited in the business relations. The expression of emotions at work was revealed mostly when the issue of dealing with negative performance appraisal was evoked. HR managers interviewed showed extreme sympathy with employees, sometimes to the extreme (ref. example of AM2: dealing with licensed employee).

In the study of Yahshoushi (2009) about the employees' perceptions of Lebanese managers' styles of leadership, it was concluded that managers are more relation-oriented than task-oriented. Personal relationships at work and the emotional relationship between employees are strongly present in Lebanon (Yousfi, 2007). However, the construction of affective relations seems to be far away from the essence of some codes, mainly North American, in which private questions are not permitted in the workplace. The director of human resources of the Lebanese subsidiary of AM2 confirms: *"In the United States, if asked: how old are you? it is considered harassment.. If you are asked how are your parents? It is also harassment. In our culture, it is quite normal to ask personal questions, it is a way to socialize the person in the company."* The clauses are written in the signed code but there is an adaptation in the day to day life in the company. She confirms: *"we sign but we have a different vision, and it is our culture which guides our actions because we know that it is not considered harassment in our culture"*. This theme, which is mentioned in other interviews, highlights the importance of interpersonal relations at work in Lebanon and the inadequacy of the neutral, "politically correct" and too functional vision of certain codes. Sexual harassment

is a theme that was mentioned several times and in most of the interviews conducted. *“It is an American concept, Americans are obsessed with this subject”* says one of our respondents. The human resource director of the Lebanese subsidiary of AM3 assures that despite the fact the sexual harassment was seriously detailed in the code of conduct, the discourse between employees didn't change. She tells us that employees even send to each other sexual jokes by e-mail: *“We joke a lot here; emails all day long of jokes and most of them are of sexual nature. Within our culture it's not an issue, but if someone wants to make it an issue, he/she can signalize it and there will be an investigation. But in my 13 years in AM3 never anything like this happened. But we are not isolated here, we can make an issue out of it, and they will respond to us directly as if we were in the US”*. This liberty of speech even between men and women is a characteristic of the Lebanese culture. Ayyash-Abdo (2001) states: *“The geographic position of Lebanon as a crossroad linking the Mediterranean with Asia and Europe has conferred on it a multicultural legacy as well as a cosmopolitan character. Lebanese culture is Arab colored by Western influences mainly French and American”*. Kikoski (2000) states: *“Unique among Middle Eastern states, Lebanon has always had a substantial Christian population”* which have been according to Khashan (1992) historically receptive to Western cultural traditions.

“Losing face” avoidance, implicit communication, high-context culture

When asked about negative performance appraisals, several HR managers expressed their concerns about rating employees negatively or having to deal with employees during performance appraisal interviews (for example AM2 and AM3). When the points of views were triangulated for AM3, the regional HR manager explained that this attitude towards negative performance appraisal is cultural. Managers don't want to lose face with employees. Mellahi (2003) states: *“In many traditional societies such as some of those in the Middle East, loyalty to a superior takes preference over effective performance of subordinates as measured by western notion of quality and quantity of output”*. In this study, harmony with subordinates and/or colleagues was found to take preference sometimes in performance appraisal. Moreover, a cultural element evoked by HR managers was the tendency of Lebanese to avoid confrontations during performance appraisal interviews (AM2: *“We tell him that we are not happy so he understands that he should resign”* and CH1: *“Managers here are less confrontational”*) using “indirect, diplomatic” techniques when approaching employees and even when doing reference checking (CH1: *“We don't embarrass them, we have our techniques”*). This is also consistent with the literature about cultural differences. Hall & Hall

(1990) explains: “*high context communication is one in which most of the information is already in the person, while very little is in the coded, explicit, transmitted part of the message*”. Arabs were placed by Hall & Hall (1990) as high context cultures using implicit messages. This cultural dimension explains what was really meant by “indirect, diplomatic” techniques evoked by the HR managers of AM2 and CH1. Jones (2004) considers that high context cultures and firms value flexibility, social harmony and cooperativeness. The main challenge for HR managers is that they have to make “explicit the implicit” through the use of formalized and “explicit” forms of performance appraisals. Several researchers identified the difficulty of using explicit instruments in cultures that have long-held traditions of familial control, recognize the importance of face and practice diffuse values (Jackson, 2002; Triandis, 2001; Zinzius, 2004). According to the literature, explicit methods of performance appraisal (BARS, rating, critical incidents) have more practical advantages than implicit methods (rank ordering). In this study, MNCs used explicit methods (rating, BARS, 360degrees, critical incidents) (Latham & Wexley, 1981). However, dealing with the consequences of performance appraisals was conducted in more implicit way. It is important to note that cross-cultural research about this issue is largely absent in the literature (Lindholm, 2000).

Lebanon is a collectivist society. Whiteoak et al. (2006) considered that the Arab world is usually a collectivist society that tends not to give importance to the individual as an end in and on itself. They referred to the work of Hofstede (1999) who classified Arab states as low in individualism. Kalliny et al. (2006) have explained this strong sense of loyalty to the group by the common Arab proverb: “My brother and I against my cousin, my cousin and I against an outsider”. This collectivist dimension of the Lebanese society was also highlighted in the interviews conducted with human resource managers in of American multinational companies in Lebanon. They have mentioned that there is a hotline directly connected to the parent company whereby employees can report any incident, any colleague or any violations of the code. When asked if these hotlines were ever used, the four managers had the same answer confirming that it was never used. This reveals a very important face of the Lebanese culture which is as mentioned earlier, a collectivist society. An individual would rarely report a colleague because he might lose his place in the group. He might be considered a traitor or a violator of the group spirit whereby the welfare of the group is privileged and the individual’s interests are de-emphasized. The collectivist dimension also affects recruitment practices. Collectivist societies tend to use internal recruitment and informal and network-based recruitment channels, such as employee referrals, networking events and job fairs more than

newspaper ads or e-recruitment (Aycan, 2005; Stone et al.,2008). The literature and the findings of this study are consistent. All HR managers interviewed use internal recruitment, employee referrals and do participate in job fairs organized in universities. To remember the findings of Chapter 4, several HR managers, although having an e-recruitment site, could prioritize employee referrals or their own network of personal relations over other formal sources or methods of recruitment. Moreover, several HR managers considered that using employee referrals could motivate their employees and increase their loyalty to the organization (Bian & Ang, 1997). Moreover, very few MNCs studied use tests as selection criteria (AM1, UK1). Some others have even eliminated some tests (UK2, AM4). The other 6 MNCs don't use tests for selecting candidates (AM2, AM3, FR1, FR2, CH1, CH2). This also could be explained through the collectivist cultural dimension. Several researchers consider that in collectivist cultures, the use of test scores as selection criteria is rare (Ramarothy & Carroll, 1998). Other forms of selection are more common in collectivist cultures. Selection relies mostly on recommendations by an in-group member (Triandis & Wasti, 2008; Hofstede, 2005). Another feature of collectivist cultures found in the literature is the reliance on employees' recommendation in selecting candidates. Several HR managers considered that recommendations of candidates given by their employees are seriously taken into consideration (UK2, FR1, CH1, and CH2) because employees are trustworthy and would recommend trustworthy candidates (Triandis & Bhawuk, 1997) and would know whether the candidates fit into the organizational culture (Rousseau & Tinsley, 1997).

Nepotism is a reflection of clan spirit and strong family ties in the Lebanese culture. Several studies have highlighted this dimension. Yousfi (2010) considers that family in Lebanon is the first object of loyalty. An individual primarily identifies himself within his family. In this regard, Rizk (2001) considered that: *"Lebanon acquired a quick facade of modernity but retained traditional structures that conserve it and condemn it. Political families are always blood families, communities and families which are constituted at birth and not be loosened to death. Lebanon is a multinational company in a society of tribes, clans, families and communities which produce a strong emotional and social tie but still be emotional and passionate"*. Dirani (2009) considers that the Lebanese culture is very family oriented. According to Khalaf (1987) and Super (1988), the Lebanese family is the most fundamental institution and most important social structure in Lebanon. The family largely defines individual's status in society, their occupation and their prestige. From here, it becomes clear why the human resource manager CH1 has asked for a stricter application of

the code with regard to the recruitment of relatives. It seems that this manager has taken the negative side of the clan spirit or family ties and has considered that this would create conflict of interest or favoritism at work. It would be very probable that an employee recruited and having family ties or kinship with another employee in a managerial position in the company might gain some privileges over other employees without any kinship in the company. This is what is known by nepotism which is very common in Lebanon. Yahchouchi (2009) considers that nepotism among other forms of favoritism is deeply rooted practices among all communities in Lebanon. Managers tend to select people from circles of trust which could be circles of religion, confession, political affiliation and/or family. Strong family relationships and the structure of the Lebanese society have been also reflected at work. In this regard, Risk (2001) considers that the Lebanon is a multinational company in a society of tribes, clans, families, communities, which produces a strong emotional and social connection but that remains emotional, and passionate. The sense of belonging to a clan also explains some dynamics of Lebanese companies and its emotional relationship between colleagues (Yousfi, 2007). More than elsewhere, practices of recruiting family members to reinforce clans are observed in Lebanon. On the other hand, strong family ties in particular and strong social relations don't always lead to nepotism. Tayeb (2005) states: *"In many traditional and industrializing societies, such as some Middle Eastern countries, recruitment is largely done through informal networks of relatives, friends and acquaintances. This should not be confused with nepotism, which of course exists in many societies industrially advanced or not"*. This factor was also identified in chapter 4. Several HR managers interviewed considered that personal relations and informal networks could be used for recruitment and reference checking. As a matter of fact, since the Lebanese culture is family-oriented (Dirani,2009) with a strong sense of loyalty to the in-group (Tayeb,2005), companies will show a preference for recruiting people they already know and trust. However, since codes of conduct of MNCs forbid the employment of relatives, several HR managers use their employees as a source of recruiting new employees. The HR manager at UK2 states: *"We trust our employees so we ask them to refer candidates"*.

Religious diversity is the main characteristic of the Lebanese culture. Another face of the Lebanese culture revealed is the religious issue which is sometimes very sensitive in Lebanon. Lebanon is a country with strong denominational diversity. Eighteen Christian and Moslem confessions constitute the religious base of the Lebanese society. The political system in Lebanon maintains this diversity through a constitution which protects the rights of the

various confessions. Lebanon was also a refuge for several minorities persecuted in other countries of the Middle East including the Maronites, the Druze and the Shia (Rizk,2001). It is particularly difficult to speak about a single Lebanese culture because a Lebanese finds his cultural identity within the community to which he belongs (Yahchouchi,2009). But the context of the combination of these different communities, the geographical position of Lebanon, the political and historical links, the various direct and indirect influences of several countries, have built a common reference framework to these communities that organizes their practices and their daily interactions. Yahchouchi (2009) considers that religious social norms are embedded in everyday life. According to Haddad (2002), there is another problem in Lebanon which related to religion: sectarianism. The Lebanese constitution is built on sectarianism. Each sect holds its own independent institutions and political aspirations. Yahchouchi (2009) sates: *“To leave one’s sect was to leave one’s whole world and to live without loyalty, protection of the community, consciousness of solidarity and the comfort of normality [...] membership in the sect serves mainly as a reference in regard to the world at large”*. However, because of the respect for the diversity of sects which is protected by the Lebanese constitution, it is normal to have rules that protect workers or new recruits from religious, sectarian, political and regional discriminations which are interrelated between each others. This need for protection at work was evoked by several human resource managers interviewed in this study. Although the clause on ethnic discrimination is present in all codes of conduct, this discrimination does not exist in Lebanon since the Lebanese society is ethnically homogeneous. However, there are other forms of discrimination in Lebanon, those of regional, political or religious discrimination. Lebanon has a unique specificity, which is the great religious diversity (Corm, 2005). The human resource director of AM2 comments on this subject: *“Americans also have the discrimination issue! We don’t have it as a color discrimination goal we have religious and gender discrimination goal no. ethnic discrimination. “When I sign on discrimination of color, we don’t have it but I sign because there is no harm to sign”*. This shows that the code of conduct is signed but somewhat adapted to the Lebanese context. The Director of the Lebanese subsidiary of FR2 tells us about some other form of discrimination, that of religious discrimination (sometimes in the same religion). The human resource director of the Lebanese subsidiary of UK2 went further and told us that the clause on racial discrimination was completely changed in the code of conduct to adapt to the Lebanese context: *“We don’t have races and ethnicities in Lebanon, it is irrelevant for us. We have adapted it to religious and political discrimination”*.

Political diversity in Lebanon: sign of democracy or source of conflict? The diversity of political opinion is another problematic theme of the Lebanese context, a problem that cannot be easily separated from the religious theme (Risk, 2001). Almost all the Lebanese have a political opinion which is often reflected by an affiliation to a party or political movement (Hakim, 1966) which causes the possibility to discriminate according to the political affiliation of the candidate. This political and ideological diversity in Lebanon, linked to religious diversity, is also atypical for an Arab country. This diversity can cause problems in relations at work during periods of political tension, which pushes some companies to stress in their code of conduct the prohibition of political discussions at work. The human resource manager of AM2 went even further by banning political discussions at work even during lunch breaks which she considers could affect the relation between colleagues at work and therefore their productivity and their team spirit.

In brief, several socio-cultural factors were identified in this study that were judged being behind the adaptation of certain HR practices in the Lebanese subsidiaries studied. It should be noted that three HR practices were strongly affected by the socio-cultural environment of the host-country: codes of conduct, recruitment and selection, and performance appraisal.

6.3.2.2 Institutional factors

Institutional theorists consider that social institutions influence company practices in a systematic way, resulting in structures and processes that reflect national patterns (Whitley, 1992). Ferner (1994) considers that the transfer of country of origin practices depends on the national business system and the institutions of the host-country. From an institutional perspective, in a host-country with few formal institutions, MNCs can transfer their country of origin practices with less constraints. In opposition, a host-country with well formed, cohesive and integrated institutions with a distinctive business system will be less permissive and MNCs will have to adapt to local practices (Gooderham et al., 1999).

Labor law and labor unions

The legal regulations of the host-country are the major pressures on subsidiaries of MNCs (Taylor et al., 1996; Schuler et al., 1993) which can be a barrier for the transfer of HR practices from the parent company to the subsidiary (Beechler & Yang, 1994). According to Rosenzweig & Nohria (1994) labor unions are the local institutions which represent the major

source of pressure on MNCs. According to Wachter et al (2003), the characteristics of the industrial relations system as part of the national business system, including the importance societies place on labor unions, can have significant results on pay systems.

As for Lebanon, although labor unions and collective bargaining do exist, they have a very weak power over employers. Employees tend to accept bad working conditions in order not to lose their job (Cerdin et al.,2002). According to the annual survey of violations of labor unions rights in 2009, political tensions in the country make it difficult to carry on trade union activity, independently of political manipulation. The government often interferes to ban unions' demonstrations and activities. As a matter of fact, labor unions cannot have pressures on MNCs if it cannot have pressure on local employers.

The labor law is also a source of pressure for MNCs in their transfer of HR practices. Although Lebanon has a weak and permissive institutional environment, MNCs seemed to comply totally with the labor law. The findings detailed in Chapter 4 revealed that MNCs operating in Lebanon respected the labor law as for paying above the minimum salary and providing employees with the obligatory benefits dictated by the Lebanese law (NSSF for example). The findings are consistent with the literature. Dowling et al. (2008) consider that legislation such as the regulations of minimum wages have an impact on the firm's compensation choices. The literature suggests that the problem of balancing standardization and localization of compensation policies cannot be solved by MNCs without considering the local context (Richey & Wally 1998). A balance should be found between meeting the strategic needs of the MNC and implementing appropriate compensation practices. This balance was revealed in the findings detailed in Chapter 5. Although MNCs have totally adapted their salaries to the local context, subsidiaries have to follow certain compensation & benefits guidelines set by the parent company. In this sense, the MNC is adapting to the local laws of the country but at the same time it maintaining a certain level of consistency across subsidiaries through guidelines that explain the criteria for deciding upon compensation practices. These guidelines don't aim at standardizing the practice but at organizing it so that it remains integrated in the organizational culture and the strategy of the MNC.

Moreover, benefits were conceived at the Lebanese subsidiary as a response to the unreliability of some public institutions such as the NSSF (Dailystar,2010). This finding is also consistent with the literature. Sparrow (2004) considers that for legitimacy reasons, it can make sense for some organizations to offer specific benefits or advantages even if they are very expensive and normally would not be offered due to efficiency considerations. The Lebanese subsidiaries had valid arguments when they negotiated for benefits such as pension

plans with the parent company. The most important argument was the inefficiency of the local public institutions. Offering such a benefit was perceived by HR managers interviewed as source of motivation for employees. However, it is important to note that Subsidiaries that rely heavily on host-country organizations, local suppliers or local labor market tend to be affected by those actors in terms of their HRM practices. These extra-benefits given coupled with high salaries (ref.UK1: “*We want to be among the top payers in Lebanon*”) could also be explained by the will of the subsidiary to acquire or maintain a preferred employer status (Rosenzweig & Nohria, 1994; Hannon et al., 1995) in the host-country.

The educational system and the national business system

The educational system is another element of the institutional environment that may also have an effect on HR practices (Sparrow, 1995). Briscoe and Schuller (2004) consider that the quality of higher education and the availability of business education affect HR practices.

In Lebanon, the educational system is heavily affected by Western influences. Cassidy & Warren (1996) consider that schools which are founded by Christians have played a significant role in spreading Western thoughts and modernity in Lebanon. Education has contributed heavily in the improvement of earning power of the workforce (Barakat, 1993). Ranked the highest in terms of human development among Arab countries, Lebanon faces a major challenge which is the migration of skilled force (Hamdan, 1999). These factors have affected HR practices in the Lebanese subsidiaries studied. The majority of HR managers when asked about the uniqueness or competitive advantage of their subsidiaries compared to others in the region is being a source of talents (Chapter 5). HR managers consider that Lebanon is a huge pool of talents due to the string educational system in Lebanon, the multi-linguistic abilities of Lebanese and their openness to Western culture and traditions. These “unique” characteristics which Lebanese have compared to other countries in the Middle East are due to the educational system in Lebanon. This abundance in “talents” found mainly in universities is behind the reliance of several subsidiaries studied on top universities a source of recruitment. Moreover, the availability of qualified experts in management subjects was also behind the use of subsidiaries of local trainers and training agencies to develop or adapt training programs. These findings also confirm the literature. According to Dowling et al. (2008), the educational system, as part of the institutional context, affects mainly recruitment & selection and training & development. The reputation of educational institutions is reflected in the recruitment processes and selection criteria of the firms in those countries. Moreover, the quality and reputation of higher education system has an effect on the training needs

perceived and fulfilled by MNCs. According to the AHDR (2002), Lebanon has built a strong educational system, considered today to be the best among Arab countries. Lebanon allocates between 9.3% and 13% of its GDP to education which is the highest in the region (ESCWA, 2001).

6.3.2.3 Subsidiaries compliance and resistance

Another important issue related to the cultural and institutional environment is the level of acceptance of transferred HR practices and the type of resistance/ compliance expressed by subsidiaries. The ten HR managers interviewed considered that there was no resistance of any transferred practices from the parent company. Moreover, several HR managers interviewed showed their fascination by HR instruments transferred (for example, AM3: “*We have excellent HR tools found in the information system of the company*”). However, the literature considers that the more the cultural distance is large between the home-country and the host-country, the more the probability of resisting transferred practices. In other words, the transfer success is negatively associated with the cultural distance between the countries of the parent company and the subsidiary (Adler, 2001; Hofstede, 1983; Herkenhoff, 2000). For the case of Lebanon, although the cultural distance is large between Lebanon and the home-countries of the subsidiaries studied (USA, UK, France and Switzerland), the transfer was successful even if some practices were adapted. Although the literature (Hofstede, 1984) places Lebanon among Arab countries, Ayyash-Abdo (2001) states: “*Lebanese culture is Arab colored by Western influences mainly French and American*”. This could be explained through the institutional context. Lebanon was heavily influenced by the French and American educational systems. American and French educational missionaries, often Catholic or Protestant, have established universities in Lebanon in the last century (for example, AUB, LAU, and USJ). Moreover, Lebanon was colonized by France which has affected its culture and values with Western values and ideals (Pheraon, 1993). Its political, legal and educational systems were mainly inspired from the French model. The banking sector, very liberal in terms of banking secrecy adopted the Swiss model supported by liberal governments very much similar to Western free markets (Pheraon, 1993; Hitti, 1962). It could be said that the fascination of Lebanese by Western models due to their “Arab-Western culture”, their “Western-oriented educational system” and “their modern business system” have facilitated more than any other thing the transfer process of HR practices, yet adapted for the reasons explained earlier. The fascination factor was found to be a moderator factor of the transfer

process in a similar study about the transfer of HR practices in Tunisian subsidiaries of French MNCs (Yahiaoui, 2007).

To put the findings about resistance and compliance with the existing knowledge in the literature, it is beneficial to use the categories of compliance and resistance of Martin & Beaumont (1999) exposed in Chapter 2. Subsidiaries' compliance and resistance levels varied according to the HR practice. It is impossible to place each subsidiary in one category. Some subsidiaries of American MNCs (mainly AM2, AM3) and the British subsidiary UK1 seemed to be "public compliance/ private defiance" in their response to codes of conducts. Although they showed compliance by signing the code, participating in training and passing tests about the code, the living of the code was done according to the host-country culture. AM3 could be placed as "resistance through distance" when arguing about performance appraisal systems used (confirmed by the regional HR manager of AM3). The two French MNCs (FR1 and FR2) could be considered as "benign neglect" whereby guidelines exist but are followed and adopted partially when it comes to implementation. The Swiss MNCs (CH1 and CH2) seemed not to reach any resistance stage; problems are negotiated jointly with the parent company so that to overcome any problem related to an "unacceptable" practice (example of compensation levels and outsourcing third parties in CH1, Chapter 4).

Human resource practices were adapted due to the socio-cultural and institutional environments of the host-country. Socio-cultural factors that have affected the transferred HR practices included corruption, favoritism, clientalism, the strong interpersonal relations at work, the high-context and implicit communication of Lebanese, the fear of losing face, collectivism, nepotism, religious and political diversity. Institutional factors that have affected the transferred HR practices included the Lebanese labor law, the absence of strong Labor unions, the educational system and the national business system. Some practices were found to be "culture bound" and thus more affected by the cultural environment and others were found to be "institutional bound" and thus more vulnerable to the institutional environment. A "fascination effect" linked mainly to the institutional context was found to be a facilitator of the transfer process and thus a low resistance was expressed by subsidiaries.

6.4 Research issue 4: American-European differences

6.4.1 Analysis of data on Research Issue 4

This section analyses the differences observed between the American MNCs and the European MNCs with regard to the transfer of human resource practices to their subsidiaries in Lebanon. Differences between American and European MNCs in the transfer of HR practices were observed and analyzed from a home-country effect perspective (Whitely,1999). Three axes of comparison will be considered: IHRM approach, degree and type of adaptation of human resource practices and control and coordination mechanisms. The research issue investigates:

RI4: *Are there any differences between American and European multinationals in their transfer of human resource practices towards their Lebanese subsidiaries?*

6.4.1.1 Differences between American and European MNCs- IHRM approach

The first element of comparison between American and European multinational companies with regard to the IHRM approach is how the human resource management policy decisions body is organized in the multinational company. As shown in section 4.3.1, there are differences between American and European multinational companies with regard to where decisions are mainly taken and what is the role of the subsidiary in the decision making process. For the four American multinational companies studied, policies are given by the headquarter and implemented in the subsidiary. The subsidiary has a minimal role in the formulation of policies except for sharing best practices and suggesting ideas that could be taken into consideration when formulating policies as it is the case with AM1. The subsidiaries of AM1, AM2, AM3 and AM4 seem to be in line with their headquarters. In brief, It could be said that the American multinational companies formulate global policies at the headquarter and impose these policies on subsidiaries which should implement these policies and be compliant. American multinational companies are exportive in their approach towards HR policy formulation (Bonach, 2000; Dunning,1998; Ferner and Almond,2004; Gunnigle, 1995; Innes & Morris,1995; Kostova & Roth,2002; Martin & Beaumont,1999; Muller,1998; Schneider,1991; Tayeb, 1998, Turner,1997; Yuen & Hui Tak Kee,1993).

As for the European multinational companies (French and Swiss), human resource policies are also “formulated in” or “suggested by” the headquarter but the subsidiaries could modify

these policies or make them operational to better fit the local environment. When asked about this issue, the regional human resource manager at the parent company of CH1 states: “*It is the responsibility of the subsidiary human resource manager to make policies operational, we give them the framework only*”. The two Lebanese subsidiaries of the French multinational companies have even more freedom than the Swiss multinational companies, being able to “modify” and decide upon policies. The two human resource managers in FR1 and FR2 explained that the headquarters suggest policies but the subsidiary decides and modifies while updating its parent companies. As for the Swiss, the expression “make them operational” was used for both multinational companies studied where a general framework (strategic) is given by the parent company and the policies should be transformed into operational by the subsidiary. The British multinational companies studied are similar to the American multinational companies where the policies are formulated by the headquarter and implemented by the subsidiary which has a limited degree of maneuver to modify these policies (Sparrow et al., 1994). In brief, it could be said that European multinational companies are more adaptive in their approach towards HR policy formulation with the exception of British multinational companies which are more exportive.

The following table 64. summarizes the findings concerning the differences in HR policy decision making process:

Table 64: Differences between American and European MNCs – HR policy formulation

	American MNCS	French and Swiss MNCs		British MNCs
IHRM approach	Exportive	Adaptive		Exportive
Explanation	Policies are given by headquarter and implemented in the subsidiary	Policies are suggested by headquarter but finally decided and modified in subsidiary	Policies are given by the headquarter and the regional office but the subsidiary has to make them operational	Policies are given by headquarter and implemented in the subsidiary

(Source: Developed for this study)

The second element of comparison with regard to IHRM approach is the subsidiaries freedom to adapt policies. As shown earlier, the Lebanese subsidiaries of American multinational companies cannot adapt easily the practice but could adapt the implementation. For AM1, there is no need to adapt because the policies were conceived globally and AM1 leverages

diversity in formulating its practices. AM3 is an exception to the other three subsidiaries. The Lebanese subsidiary of AM3 can adapt its practices because of a lack of communication with the headquarter. The human resource manager in Lebanon wishes more input from the headquarter. The regional human resource manager of AM3 in Switzerland confessed that there was a lack of communication between the headquarter and the regional office from one side and their subsidiary in Lebanon. However, she also confirmed that practices will become more standardized and compliance requirements will be stricter in the near future. In brief, Lebanese subsidiaries of American multinational companies have limited freedom to adapt human resource practices. However, they might do some adaptations of the implementation of these practices. For the European multinational companies (except for the British MNCs), the subsidiaries can adapt their practices locally while respecting the general guideline set by the parent company (Kopp,1994; Quintanilla,1998). This guideline usually explains to what extent the subsidiary can adapt and in what areas. As for British MNCs, it is not easy to adapt polices an practices except when there is a clear violation of the local labor law.

The table 65 below summarizes the findings concerning the differences between American and European MNCs with regard to freedom to adapt policies and practices in subsidiaries:

Table 65: Differences between American and European MNCs- Freedom to adapt

	American MNCS	French and Swiss MNCs	British MNCs
Freedom to adapt	Limited freedom	Freedom allocated within a guideline	Limited freedom
Explanation	Subsidiary cannot adapt easily the practices but could sometimes adapt the implementation	Subsidiary is free to adapt several policies and practices while respecting the guideline	Subsidiary cannot adapt easily, it is bound to the rules of the headquarter

(Source: Developed for this study)

As for the third element of comparison with regard to IHRM approach is the degree of integration of best practices of subsidiaries in the formulation of corporate policies. All multinational companies, American and European, have a “best practices system” where subsidiaries can add and/or share best practices. The only difference found is between American, Swiss and British MNCs from one side and French MNCs form the other side. French MNCs share their best practices during yearly conferences and visits but there is no well-established system to share or add best practices like in the other European or even American MNCs.

The table 66 below summarizes the findings about best practices:

Table 66: Differences between American and European MNCs- Best practices

	American MNCS	British and Swiss MNCs	French MNCs
Availability of a best practices system	Available through information systems and newsletters	Available through information systems	Available through conferences
Explanation	Well-established best practices system	Well-established best practices system	No formal process of sharing best practices

(Source: Developed for this study)

6.4.1.2 Differences between American and European MNCs- Degree and type of adaptation of practices.

The first element of comparison is the code of conduct. Case studies and interviews indicate that subsidiaries of American MNCs are stricter than the subsidiaries of European MNCs regarding the application of codes of conduct that are identical to the parent companies in subsidiaries. All employees must sign the code and participate in training sanctioned by tests. In the subsidiaries of American companies, any deviation from the code may cause the end of the contract of employment. The four human resource managers of subsidiaries of American MNCs have used the same terminology to describe the importance of the code and devices are similar, in the spirit of the Sarbanes-Ochsley law. They also argue that the code of conduct is the Bible of the multinational or even the subsidiary, a code that cannot be changed, negotiated, nor adapted exactly as religious books. However, they also said that employees signed even if they were not convinced of the content, and despite the importance of a desired strict compliance with the code, some adjustments that are not declared nor written but lived through interpersonal relations at work also existed. Furthermore, transferring the code 100% identical is not the only transfer mode used by American MNCs since one of these companies shows a certain degree of adaptation in a region-centric logic. However, subsidiaries of European MNCs (French, British and Swiss) showed a higher degree of flexibility in the adaptation of the contents of the code. Several subsidiaries have proposed changes in the content and these changes have been retained by the parent company (discrimination, corruption, recruitment of relatives...). The adaptations done in subsidiaries of European

MNCs are often reinforcements or additions of sections, which would go towards a strengthening of the code as a monitoring tool (Davoine and Nakhle, 2010).

The table 67 below summarizes the main differences found between American and European MNCs:

Table 67: Differences between American and European MNCs- Code of conduct

Indicators	American MNCs	Swiss MNCs	French MNCs	British MNCs
Compliance officer	Yes	No	No	No
Training programs	Yes	No	No	No
Signature	Yes	Yes	Yes	Yes
Tests	Yes	No	No	No
Related to performance appraisal	No	Yes	Yes	Yes
Adaptation of content	No	Possible	Yes	Yes
Adaptation in implementation	Possible	Yes	Yes	Yes

(Source: Developed for this study)

The second element of comparison is the adaptation of the recruitment and selection process. From the research issue 2 which dealt with the adaptation of practices, it could be concluded that American MNCs are stricter than European MNCs (except for British) when it comes to the methods and tools used for selection. American MNCs have standard interview guidelines and selection tests. However, all MNCs studies have adapted their recruitment sources to the local context (partnering with key universities, personal relations, word of mouth). European MNCs have also adapted their methods of selection (CH1: targeted selection guide, UK1 and UK2: tests). The extreme case was the French MNCs which seemed to have a high degree of freedom of adapting their recruitment and selection process. The human resource managers stated that they are not obliged to follow the guideline and the decision is often local. There seem to be less interference from the European parent companies of MNCs in the recruitment and selection process than American MNCs. The subsidiaries should respect the headcount and the budget. The parent company interferes very rarely in the process except for senior positions. Whereas for American MNCs, the parent company/regional office controls the process, interferes in senior positions hiring closely and controls the reliability of tests used. Moreover, American multinational companies tend to participate in job fairs and recruit from

American universities in Lebanon (AUB, LAU) whereas European MNCs, especially the French partner with both American and French universities. The human resource manager of FR1 emphasized that the company prefers to recruit from the ESA (école supérieure des affaires- Beirut) which is a French university operating in Lebanon. Finally, American MNCs tend to be stricter with reference checking and having more formal systems to do it (AM4) whereas European MNCs tend to do it rarely or informally.

The following table 68 summarizes the main differences between American and European MNCs:

Table 68: Differences between American and European MNCs- Adaptation of recruitment and selection

American MNCs	European MNCs
Standard process	Adapted Process
Adaptation of sources of recruitment only	Adaptation of sources of recruitment, methods of recruitment and selection tools
Regional office/parent company controls the process, interferes in senior positions hiring, controls the reliability of tests used.	Regional office/parent company doesn't interfere in the process (They should approve the budget or headcount)
Partnering with key universities, participating in job fairs of American universities (LAU, AUB)	Partnering with key universities, participating in job fairs of American and French universities (LAU, AUB, USJ, USEK, ESA)
Strict and formal reference checking	Only when there is a doubt, informal

(Source: Developed for this study)

The third element is the training and development. For this practice, there seem to be few differences between American and European MNCs. All MNCs have standard training programs transferred from the parent company that are “mandated”, “core”, “global” courses and programs. All MNCs develop local programs according to individual needs and/or subsidiary needs with the possibility of adapting some training programs related to specific professional cultures (auditing, sales, trading). The main difference found is with the choice of trainers. Several human resource managers in European MNCs talked about “train the trainers” programs whereby local trainers are trained to become facilitators of standard programs transferred. However, in American MNCs, trainers are usually global or regional trainers who either train employees in the subsidiary or in the regional office.

The fourth element is the performance appraisal. As for the training and development, few differences were observed between American and European MNCs. The process is standard for all MNCs. The tools are transferred and should be used without any possibility of

adaptation. However, all MNCs face challenges related to dealing with negative performance appraisals (difficulty to rate negatively), conducting the performance appraisal interviews (indirect, less confrontational, “counseling session”) or even licensing employees (helping licensed employees). The only difference observed but could not be generalized to all American MNCs is the monitoring of performance appraisals of the subsidiary through the intranet (AM4).

The fifth element is the compensation and benefits. All MNCs fully adapt their compensation and benefits schemes to the country’s local labor law, cost of living and competing MNCs. Whether in American or European MNCs, benefits imposed by the Lebanese labor law should be given to employees. Additional benefits are given by all MNCs either to motivate or retain employees, to stay competitive, and/or to fill a gap found in the public institutions in Lebanon. All MNCs have compensation and benefits frameworks that they should operate within while adapting to the country’s specificities.

6.4.1.3 Differences between American and European MNCs- Control and coordination mechanisms

This section aims at showing the differences between American and European MNCs with regard to control and coordination as mechanisms to reinforce the transfer of standard practices. Several elements were observed that show that American and European MNCs have different approaches, methods and tools to control their subsidiaries.

American MNCs have formal and bureaucratic control mechanisms to control their subsidiaries to make sure that they are compliant with regard to human resource policies (Harzing ,1999). Formalized rules, regulations and written manuals are used to guide the behavior of the subsidiary. This is mainly translated in the will of the MNCs to standardize practices. Several tools are used to ensure compliance of the subsidiary. American MNCs first tool is the code of conduct whereby all employees follow training and pass tests (Davoine and Nakhle,2010). The code of conduct is strictly applied and its violation could lead to termination. Compliance officers are responsible for making sure that the code is being applied strictly. As explained by the human resource manager of AM2, the compliance officer checks paper documents thoroughly to make sure that everything is in line and that all employees have signed the code. The human resource manager of AM3 interviewed the first time had the position of human resource manager and compliance officer. When the second

interview was scheduled, the position was split into two and she became “only” the compliance officer. She explains that the parent company places a great importance on compliance. The human resource manager of AM1 states with regard to compliance: *“In many cases we have internal audit in different areas and on different periods to make sure that we are fully compliant”*. His statement shows that the subsidiary is audited several times during the year and in all areas. Another control tool used to enhance compliance is training on practices. Human resource managers are trained and indoctrinated with the use of practices. The human resource manager of AM2 talked about the obligation of “being certified” to use the targeted selection tool. The human resource manager of AM4 explained to us how employees had to participate in workshops about performance appraisal importance.

Another control feature of American MNCs studied is the organizational culture. Several human resource managers talked about annual surveys conducted yearly to make sure that employees are integrated in the organizational culture. For example, the human resource manager of AM1 states: *“We have the organizational survey which is the biggest tool to measure how healthy is the organization performing. The input of the survey is anonymous and comes from the employees on all the drivers and the pillars that we specified as the key healthy measures for AM1 culture and we make sure that the results is the drive for our action plan. We measure our strengths and opportunities and we see where we can leverage the strengths and how we can focus on opportunities. This tool is very powerful”*. The human resource manager of AM3 states: *“We do a survey every two years, which is a global employees’ survey, and each employee fills in that survey and it has parts about the culture, the ethics, the work environment, about work-life balance”*. As for AM4, she says: *“Yes we have people surveys, done once every two years. They hire people to do these surveys. For the new joiners, this is done every year”*.

Another tool used to control the subsidiaries is the use of information system with a “control side” as specified by human resource managers interviewed. The information system is not an informative one where all processes are described but a controlling one where the parent company and/or the regional office can control the subsidiary through the intranet. The human resource manager of AM1 states: *“We have an IT system, it has a control side. It tells you how to operate, we have a specified system, AM1 intranet system and where delegation and authorities are well defined. We have many control points to ensure efficiency and compliance”*. The human resource manager of AM3 talked about “people soft” as a control

tool. She states: *“We have a global performance evaluation system, PeopleSoft. It is launched on a yearly basis, in March. It’s a whole process”*.

Another tool used to control subsidiaries is reporting. All four American MNCs studied mentioned reporting as a main control tool. When asked how the subsidiary is mainly controlled, the human resource manager of AM2 states: *“Through reports, you have monthly reports, quarterly reports, you have to keep on feeding them information, any project, any authorization should be signed by the regional, and the results should be sent”*. The human resource manager of AM4 similarly states: *“we update them, we report to them, we fill surveys, our checklists must be complete”*. As for AM3, control is done mainly through reporting: *“Reporting is required on a monthly basis, quarterly and at the closing of the fiscal year”*. The regional HR manager of AM3 in Switzerland states: *“Reports are mainly about figures and numbers. But we have a very strict procedure for compliance officers. We even have a training program and a certification to become a compliance officer”*. It is clear that reporting is a common control practice in the four American MNCs. However, it is not the only tool used.

The last control tool observed is through the existence of central teams for each practice. It is a kind of matrix structure that reinforces control for each practice to ensure compliance (Almond et al.,2004). It was observed in AM1. The human resource manager explains: *“We have central teams for every practice. For example within HR, we have a compensation and benefits CEEMEA (Central and Eastern Europe Middle East and Africa) team so for example I am the compensation and benefits manager for the near east and I report for compensation and benefits manager of CEEMEA. Anything we do in compensation and benefits must be aligned with CEEMEA to make sure that we are integrated in the global strategy and principles”*.

The performance of the subsidiary is also controlled using formal processes. For AM2, each department is controlled separately. The HR manager explains: *“We have annual reviews; every department has its own performance appraisal system. In my case, it is not in terms of volume of business, other departments are easier to measure, and they have to bring as that much business. In terms of HR, you have projects to be executed and this is how you are monitored”*. The HR manager of AM4 had a similar statement: *“There are quality reviews for each service line. There is an HR quality review, an audit quality review”*.

It is also important to note that there were different levels of control observed among the four Lebanese subsidiaries of American MNCs studied. The four subsidiaries don't have the same strategic roles so as a matter of fact, the control mechanism used by the headquarter is different (Ferner et al., 2004). For example, the Lebanese subsidiary of AM3 is the regional office for the Middle East. The level of control observed among the four subsidiaries is the lowest for AM3. The regional human resource manager explains the relationship with the Lebanese subsidiary: *"It is ethnocentric when it comes to corporate policy but region-centric when it comes to procedures"*. The human resource manager of AM3 in Lebanon explained that they have more or less a decentralized structure, she states: *"you have first the role of our VP who's VP for Middle East and Africa he has a big margin of freedom of action. It's much decentralized"*. Moreover, the subsidiary has an important strategic role in the region. The HR manager explains: *"Our main activities are sales and marketing support to our distributors. We act as an intermediary, as a liaison office between the distributors and the distribution centers located in Europe"*. For the other three American MNCs, the subsidiaries don't have a strategic role except in AM1 where the HR manager considered that the Lebanese subsidiary operates in a growing market with lots of opportunities. The control here revealed to be stricter due to the strategic importance of the market which has reinforced the need to be *"perfectly aligned"* as the human resource manager in AM1 explains.

As for European MNCs studied, the control mechanisms seemed less formal and less strict than American MNCs. Reporting seemed to be the main control tool for the six European MNCs studied. The six HR managers interviewed explained that they have to send reports to their regional office or the parent company frequently (sometimes monthly) and this is how the subsidiary is controlled. The HR manager of FR1 talks about two reporting channels: *"Every person has at least two reporting channels"*. He further explains that reports are more likely to inform the parent company of what is being done: *"even if they tell us it's up to you to decide, we have to inform that we've been doing so and so"*. The HR manager of FR2 also when asked about the control mechanism used by the parent company, he states: *"Through our financial system and the monthly reporting"*. However, it seems that the control in French MNCs is less strict than in the Swiss and British MNCs. The HR manager of CH1 explains: *"I also have KPIs and monthly operational targets to meet. For instance, this month: how much recruitment do we have to achieve? What are the levels of salary that we have to adjust? How many payrolls we have to run in my whole region? There is a monthly operational report that goes to my boss, and, of course, I go visit there on what we call HR coordination meeting to*

understand what are the things that we need to align with each other. He comes to visit me". He further explains: *"Well, the day to day activities, whenever there is something that happens, it has to be communicated. So there is a constant flow of communication"*. The regional HR of CH1 in Switzerland states: *"We control through 10 KPIs (management of talents is one KPI). We make sure that KPIs are respected. It is done quarterly"*. The HR manager of CH2 explains that reporting also is the main control tool used: *"They have our reports that each department has to submit and the general manager has his own reports to submit as well"*. But she also explains that the regional office has access to all their results: *"They have access to our results"*. For the two British MNCs, the control is the strictest among the six European MNCs. The two HR managers talked about auditors who control the subsidiary, sometimes departments and even practices. The HR manager of UK1 states: *"We've had internal audits, we've had audits on the reward, on the personnel, on the talent, and it is mainly through the audit, on specific (for example) the reward side we have something called benefits and compensation committee. This committee includes the regional head of reward, includes the GM, includes the Head of area Head of HR, includes the Head of HR of the Zone, and includes the area rewards. And this is the control side (if you want) or the government side of the reward side, but again this office also is audited"*. The HR manager of UK2 talked about compliance ensured through auditors: *"There is an internal audit done every 2 years. They assess risk and check on compliance"*. The two Swiss MNCs send also auditors to ensure compliance. The HR manager of CH1 explains: *"We have three levels of auditors that come to our department"*. The HR manager of CH2 also states: *"Once a year, an auditor comes from the regional office to ensure the compliance of the subsidiary"*. Even for organizational culture surveys, only the two British MNCs have such surveys similar to the ones mentioned by American MNCs. The HR manager in UK1 states: *"We have surveys which we call it "Your Voice". Your voice is done also on a global level. It measures the culture (if you want) of the organization. And it has a lot; it's a big scope, from culture to reward, to a lot of things. But mainly on the organizational levels"*. The HR manager of FR2 for example, when asked about how the parent company ensures that the subsidiary is well-integrated in the organizational culture, he didn't mention any formal process. Instead, it is more of a socialization process. He states: *"Our company has the mission clear for everybody, we have the values, so we make sure that everybody live the value. It is part of the performance management, the culture, the values, living the values of the company represent our group identity which is the most important so to make sure, it is through living the values"*.

A common feature among the two French MNCs which was not found among Swiss and British MNCs is the high level of informality and comfort when dealing with the parent company. The HR manager of FR2 describes it as a “*a colleague relation, professional, business relation and very smooth relation*”. The HR manager of FR1 also talks about an informal relation: “*It’s slightly informal. You are free to call anyone at any time, and they also encourage that you keep communicating with the people in the parent company who are situated in France, so if you don’t have anything to say just give them a call, send them an e-mail, say that we are doing this and this. I mean just for information, not approval or anything*”. The Swiss and British MNCs deal more formally with the regional office and/or the parent company.

As for information systems, all European MNCs studied have intranet systems that link the subsidiary to the parent company. However, the role or the aim of such systems differs from one MNC to another. The “control side” of information systems is less present in European MNCs. Information systems are more informative, common statements of HR managers interviewed described the information systems as “*where all processes are there*”, “*we have guidelines and KPIs explained*”, “*all tools can be found in these systems*”. Most of the times, the parent company cannot access the internal system of the subsidiary as in American MNCs.

The following table 69 summarizes the main differences found between American and European MNCs with regard to control and coordination:

Table 69: Differences between American and European MNCs- Control and coordination

	American MNCs	European MNCs
Variety of control tools	Several control tools observed: reporting, surveys, compliance officers, information systems	Single control tool observed: reporting.
Degree of formality	Formal relation with the parent company staff	Informal relation with the parent company staff (French MNCs)
Control of integration to the organizational culture	Done through formal surveys (Yearly)	No surveys (except for British MNCs), done through socialization (informal)
Information system role	Information system as a “control” tool	Information system as an information tool
People in charge of control/compliance	Compliance officers	Auditors (British and Swiss MNCs), None for French MNCs

(Source: Developed for this study)

In brief, the main findings of the research issue 4 are the following:

- American and British = exportive approach versus French and Swiss = adaptive approach
- American and British MNCs have limited freedom to adapt versus a freedom allocated within guidelines to French and Swiss MNCs.
- American, British and Swiss have well-established best practices system versus French MNCs where the system is informal.
- Adaptation of implementation of code of conduct (American MNCs) versus adaptation of content of code of conduct (European MNCs).
- Standard process of recruitment and selection (American MNCs) versus adapted process (European MNCs).
- No differences found in the training and development, performance appraisal, and compensation and benefits practices between American and European MNCs.
- Strict mechanisms of control with a variety of tools used (American MNCs) versus a less strict mechanism with one tool used (European MNCs). Swiss and British MNCs being stricter than French MNCs.

6.4.2 Summary of findings on Research Issue 4 put in context with available knowledge

This section discusses the findings of this study with respect to research issue 4 and compares them to the existing literature. The research issue investigates:

RI4: *Are there any differences between American and European multinationals in their transfer of human resource practices towards their Lebanese subsidiaries?*

As discussed earlier, American MNCs were found to be different than European MNCs in three areas identified through the three research issues 1, 2 and 3 based on individual case analysis and cross-case analysis of the MNCs studied. This difference is consistent with the literature. The nationality of the MNC was found to be an important factor in determining the MNC's IHRM approach (Briscoe, 1995; Chew & Horwitz, 2004; Rowley & Benson, 2002). The literature has always pointed out to differences in national business systems between the USA and Europe which affects HRM policies. The literature about comparative international research explains that the reasons behind the centralization, the formalization and the standardization of HR policies and practices of American MNCs could be related to the American business system which is different than the European business system (Ferner et al., 2004).

Brewster (2007) states: *“Regardless of the complexity of a European study and the problems of making ‘European’ generalizations, it remains clear that European HRM operates*

differently from American HRM. In Europe there are different key factor to creating and implementing HRM policies. There are different levels of government support and involvement, legal constraints and trade union influence". Muller (1998) states: "Another home-country factor is the strong market-based norms behind the employment relations in the USA which have enhanced the eagerness of American multinationals abroad to import their systems of performance appraisal and performance related pay". According to Brewster (2007), Americans are "universalists" when it comes to HRM theories. He states: "Throughout the U.S the universalist theory dominates HRM teachings and research. Other theories of HRM are not just seen as different, but often time as being incorrect".

As a matter of fact, the findings confirmed that American MNCs were more exportive than European MNCS in their IHRM approach. American MNCs tended to transfer standard practices that should be adopted by the subsidiary with minimal adaptations. These findings are also consistent with the literature which confirms that the American approach tends to be more exportive than the European approach (Adler, 2001; Briscoe, 1995; Brodbeck et al.,2002). However, as noted in earlier sections, European MNCs are also exportive but only on the strategic level, becoming more adaptive of HR policies when put into practice. This was confirmed by several HR managers of European MNCs (FR1, FR2,CH1,CH2) in addition to the regional HR manager at the headquarter of CH1 who considered that it is the task of the subsidiary to make the practice "operational". These findings confirm the argument found in the literature that the IHRM system 'establishes itself' as business expands, rather than being actively chosen or designed by the MNC (Napier & Vu 1998; Roberts, 2000).

Another difference that could be identified between American and European MNCs is related to the subsidiary role. Using the roles identified by Birkinshaw & Morisson (1995) to explain these differences, it could be said that Lebanese subsidiaries of American MNCs could be regarded as "world mandate" whereby the subsidiary is controlled by direct and indirect mechanisms and where practices are most likely to be standardized. As for Lebanese subsidiaries of European MNCs, they could be considered as local implementers (French MNCs) where the level of control is low and the subsidiary is very responsive to the local market or specialized contributors (British and Swiss MNCs) whereby subsidiaries have an intermediate level of interdependence and control. Differences in control mechanisms between American and European MNCs confirm the literature about the high level of formalized, direct and indirect control mechanisms used in American MNCs (information systems, reporting, compliance officers) versus a less formalized (sometimes informal in

French MNCs) control mechanisms in European MNCs relying mostly on reporting with less information systems as “control tools”.

The literature confirms that American MNCs use more centralized control and give less autonomy to their subsidiaries than MNCs from other nationalities (Child et al., 2000; Negandhi, 1983). Although, HR decisions are usually less centralized than other business areas such as marketing or finance, American MNCs tend to be more centralized on HR issues than other MNCs. Headquarters of American MNCs play an important role in setting and influencing HR policies (Dunning, 1998; Harzing, 1999; Yuen & Kee, 1993). This was confirmed in the findings of research issue 1 detailed in this chapter whereby HR policies were found to be set at the headquarter and implemented in subsidiaries which are subject to close control with little autonomy and/or freedom to adapt or modify policies and practices. American MNCs were also found to have more formal and standardized practices than European MNCs. This is also consistent with the literature which often associates centralization to formalization (Bartlett & Ghoshal, 1998; Child et al., 2000; Negandhi, 1983) and standardization (Harzing, 1999; Yuen & Kee, 1993). For example, a study conducted by Kopp (1994) revealed that American MNCs are more likely to have standardized and formalized performance appraisal systems across their subsidiaries than European MNCs. This is found in AM4 for example where performance appraisal is strictly standardized, formalized and directly accessible and controlled by the parent company. However, it should be noted that American MNCs studied didn't standardize all HR practices. Compensation and benefits were adapted both in American and European MNCs. This is also consistent with the literature. Rosenzweig & Nohria (1994) consider that within HR, there are issues such as pay rates which are more decentralized than policies about management development or culture management because there is more pressure on the former to be “isomorphic” to local business cultures.

Major differences were found between American and European MNCs. American MNCs are more exportive (send standard practices with minimum allowed adaptations) in their IHRM approach than European MNCs. Subsidiaries of European MNCs are more responsive to the Lebanese context, less-controlled and more independent than subsidiaries of American MNCs which are more controlled, dependant and less responsive to the Lebanese context. Control mechanisms were also found to be different. American MNCs use formalized, direct and indirect control mechanisms whereas European MNCs use less formalized control mechanisms. Headquarters of American MNCs were found to play a more active role in setting HR policies and interfering in their implementation in their subsidiaries. Finally, American MNCs use more formal and standardized HR practices than European MNCs.

This chapter has analyzed the ten cases using a cross-case analysis technique. Analysis was conducted in parallel with the four research issues identified in chapter 2 with the aim of answering the main research question of this study. The analysis of the cases was linked to the existing knowledge aiming at identifying whether there is a consistency with or a deviation from the existing literature. The study has also contributed to the existing literature. The next chapter will draw a general conclusion answering the main research question, will show the main contributions of the study, the limitation of the study and directions for future research.

CHAPTER 7: CONCLUSION

7.1 Introduction

Chapter 6 has analyzed the cases in parallel with the four research issues. The aim of this chapter is to discuss conclusions and implications. The aim of the study is to answer the research question, introduced in chapter 1 :

How and why human resource practices transferred from American and European multinational companies to their subsidiaries in Lebanon are being adapted?

This study seeks to answer the research question by establishing first, which IHRM approach is used by MNCs under study; second, which HR practices are being adapted; third, what are the host-country effects behind possible adaptations of practices and finally, are there any differences between American and European MNCs in the transfer of HR practices. Thus, the four research issues, introduced in chapter 1 and justified in Chapter 2, are:

- RI1: Which IHRM approach do MNCs headquarters versus subsidiaries currently follow along a continuum from exportive to adoptive and integrative approaches?
- RI2: Which HR practices were adapted?
- RI3: What are the cultural, societal, legal and business specific issues behind possible adaptations of human resource practices?
- RI4: Are there any differences between American and European multinationals in their transfer of human resource practices towards their Lebanese subsidiaries?

The chapters 5 and 6 have presented and analyzed data in parallel with the four research issues using within-case analysis and cross-case analysis techniques. This chapter builds on the literature review of Chapter 2 and 3, the methodology in Chapter 4 and the data analysis of Chapter 6 to draw a general conclusion and discuss the implications of this study, again along the four research issues. The research question is addressed and implications for theory and practice, as well as limitations are discussed. Finally, future research needs are identified and directions for further study are recommended.

7.2 Conclusions on the research issues

This section aims at discussing the conclusions on the four research issues and compares them to the literature. It is important to note that although all four research issues are important for

this study, the research issue 3 which dealt with host-country factors behind adaptation of HR practices provided more findings and conclusions than the other three research issues. For each research issue, a summary of the main points of the findings will be presented. Then, the link with the literature will be discussed.

The following table presents the main points of data analysis of the four research issues:

Table 70: Summary of findings in research issues

<p>RI1: Which IHRM approach do MNCs headquarters versus subsidiaries currently follow along a continuum from exportive to adoptive and integrative approaches?</p>	<p>The decision is taken in the parent company for strategic policies in an exportive way. MNCs expect that the subsidiaries translate policies into operational practices within certain guidelines and with varying degrees of freedom to adapt practices (Remain exportive for American and British MNCs, become adoptive for Swiss and French MNCs).</p>
<p>RI2: Which HR practices are being adapted?</p>	<p>The five practices in all 10 MNCs are being adapted with varying levels and types of adaptation (adaptation of content versus adaptation of implementation, standard practices mixed with locally-developed practices).</p>
<p>RI3: What are the cultural, societal, legal and business specific issues behind possible adaptations of human resource practices?</p>	<p>Cultural (interpersonal relations, family spirit, “loss of face”, relationship-orientation), societal (religious, political diversity), institutional (labor law, educational system, national business system) are behind the adaptation of practices.</p>
<p>RI4: Are there any differences between American and European multinationals in their transfer of human resource practices towards their Lebanese subsidiaries?</p>	<p>American and European MNCs have different IHRM approaches, different adaptation levels, and different control mechanisms.</p>

(Source: Developed for this study)

Each of the four research issues has contributed to knowledge either by adding to existing knowledge or by extending it.

The new contribution of research issue 1 to knowledge is that MNCs could use simultaneously different IHRM approaches depending on the “strategic importance” of the policy or practice. The findings confirm the theory that MNCs tend to chose the IHRM approach that best suits their company’s HR strategy for managing the dilemma between integration or internal consistency and differentiation or external consistency (Dowling et al., 1999). This finding has allowed a better understanding of the varying levels of adaptation

across MNCs and among practices. The findings of research issue 1 has extended knowledge concerning the difference between American and European MNCs. Through a study conducted about Lebanon, which is in this case the host country, the study has revealed that although all MNCs use an exportive approach in the transfer of HR practices, European MNCs tend to shift to an adaptive approach as business expands and during the transfer process versus American MNCs which remain exportive (Napier & Vu, 1998; Roberts, 2000).

The new contribution of research issue 2 to knowledge is the continuum of adaptation of practices (figure 17) which has shown on a scale ranging from “strict standard” to “totally adapted” that HR practices are not adapted with the same intensity. The findings have also shown that the adaptation intensity has varied even within the same practice according to the importance of practice strategically to the MNC and to the targeted employee by the practice. The research issue has extended and confirmed the literature by showing that although MNCs try to bring to their subsidiaries their standard practices, they tend later to conform to national practice (Di Maggio & Powel, 1983; Maurice et al., 1986; Due et al., 1991; Rosenzweig & Nohria, 1994; Hollingsworth & Boyer, 1997; Cleveland et al., 1999; Brewster et al., 2000).

The findings of the third research issue are the most important in terms of new contributions to knowledge. The third research issue has explored the host country effects that are responsible for the adaptation of practices identified in research issue 2. Although it has used a known research framework combining the cultural and the institutional approach (Di Maggio & Powel, 1983; Hofstede, 1991; Whitely, 1999) to explain host-country effects, it has contributed to knowledge by exploring a new area in international HRM which is subsidiaries of MNCs operating in Lebanon. The main facets of the Lebanese culture and institutions which affect transferred HR practices were revealed. The findings of this research issue are valuable for the academic literature but also for HR practitioners who can use the findings of this study to better design and conceive HR policies and practices that are compatible with the Lebanese culture and institutions. Another contribution of this research issue is the dominance effect Europe (mainly France) and the USA have on Lebanon due to its educational institutions and its history. This dominance effect was found to be a facilitator of the transferred HR practices and a cause behind the low or absence of resistance among the subsidiaries’ employees. The dominance effect is not a new concept, it has been explained in several studies (Smith & Meiskins 1995; Wachter et al., 2003). However, the novelty remains in the empirical findings about the dominance effect of Lebanon. The research issue has

extended the existing knowledge by showing that home-country, host-country and dominance effects affect the transfer of HR practices within MNCs (Edwards & Ferner ,2002).

The fourth research issue is mainly an extension to knowledge. It has explored differences between American and European MNCs in terms of IHRM approach, adaptation of HR practices and control and coordination mechanisms. The findings have confirmed the literature concerning the IHRM approach used mainly by American MNCs which is exportive (Adler, 2001; Briscoe, 1995; Brodbeck et al.,2002; Chew & Horwitz, 2004; Rowley & Benson, 2002). It has also confirmed the literature that American MNCs tend to use more formal, strict control mechanisms in their relation with their subsidiaries (Child et al., 2000; Negandhi, 1983). It has also confirmed the literature that American MNCs tend to use standard and centralized practices (Bartlett & Ghoshal, 1998; Child et al., 2000; Harzing, 1999; Negandhi, 1983 ; Yuen & Kee, 1993). It has also shown, as previously pointed out in the literature, that British MNCs are sometimes closer to American MNCs in terms of control and transfer of practices than to European MNCs and thus are considered allies (Sparrow et al., 1994)

7.3 Conclusion on the research question

After discussing the four research issues in sections , this section gives an answer to the research question:

Why and how transferred HR practices are being adapted?

The aim of this study was to study the transfer of HR practices from American and European MNCs to their subsidiaries in Lebanon. However, the main research question was to know whether these transferred HR practices were adapted to the local context. The cultural and institutional framework and environment were studied to better understand host-country effects factors behind possible adaptations. The study reveals that MNCs have adapted their HR practices due to certain cultural and institutional forces. Socio-cultural factors of the host-country such as collectivism, strong personal relations, high-context communication, family-orientation were recognized to be behind the adaptation of certain HR practices. Institutional forces such as the labor law and the educational system were also behind shaping some HR practices to resemble local practices (“isomorphism”). The study has examined each HR practice separately rather than HRM as one block to identify to what extent it as adapted and what were the “practice-specific” host-country factors behind its adaptation. This supports the argument that there are practices that are more affected by the cultural and institutional

environment than others. The results have effectively showed that adaptation levels varied across practices and sometimes within the same practice. The practice could target different publics in the organization (for example: managers versus supervisory and below positions) and therefore the levels of adaptations within the same practice varied according to the target public concerned. Moreover, some practices were considered more “strategic” than others labeled as more “operational” and this categorization has also affected the extent to which MNCs allowed their subsidiaries to adapt their HR practices. HR practices that were considered to be “strategic” or “core” were more standardized than other practices deemed less strategic and its adaptation is necessary in order to make it more operational as several HR managers have explained. However it important to note that the transfer process didn’t face any resistance by the subsidiaries even if some practices were adapted. This low level of resistance could be explained by the fascination of Lebanese with Western practices (especially American and French), the strong Western influences found in the Lebanese culture which makes it a hybrid culture (Western-Arab culture), the educational system of Lebanon (Top universities are French and American) and the national business system which has imported Western practices in terms of the economic, political and legal system. This is what was referred by Almond et al. (2005) by the dominance effect in this case of Western values and practices. Moreover, the educational background of the HR managers interviewed ,who are important actors involved in the transfer process (Micro-political approach) were receptive of the transferred HR practices due to their education in American and French universities in Lebanon (Edwards et al., 2007). According to Kostova (1999), the larger the distance that separates the institutional environment of the home-country from the institutional environment of the host-country, the more difficult the transfer of HR practices. In the case of Lebanon, the closeness of the Lebanese institutional environment to the Western institutional environment mainly American and French, at least through the educational system, has facilitated the transfer process. In the same logic, it is argued that the more the cultural distance between the home country and the host country, the more the practices transferred will be resisted (Adler, 2001; Hofstede, 1983; Herkenhoff, 2000). In the case of Lebanon, the culture was heavily influenced by the American and the French culture (Ayyash-Abdo, 2001). The factor has also facilitated the transfer process.

In brief, the cultural and institutional environments exerted pressures on MNCs to adapt but at the same time this same environment was influenced by the home-country of the MNCs through a dominance effect and as a matter of fact acted as a moderator of the transfer process with little resistance (Almond et al., 2005; Smith & Meiskins 1995).

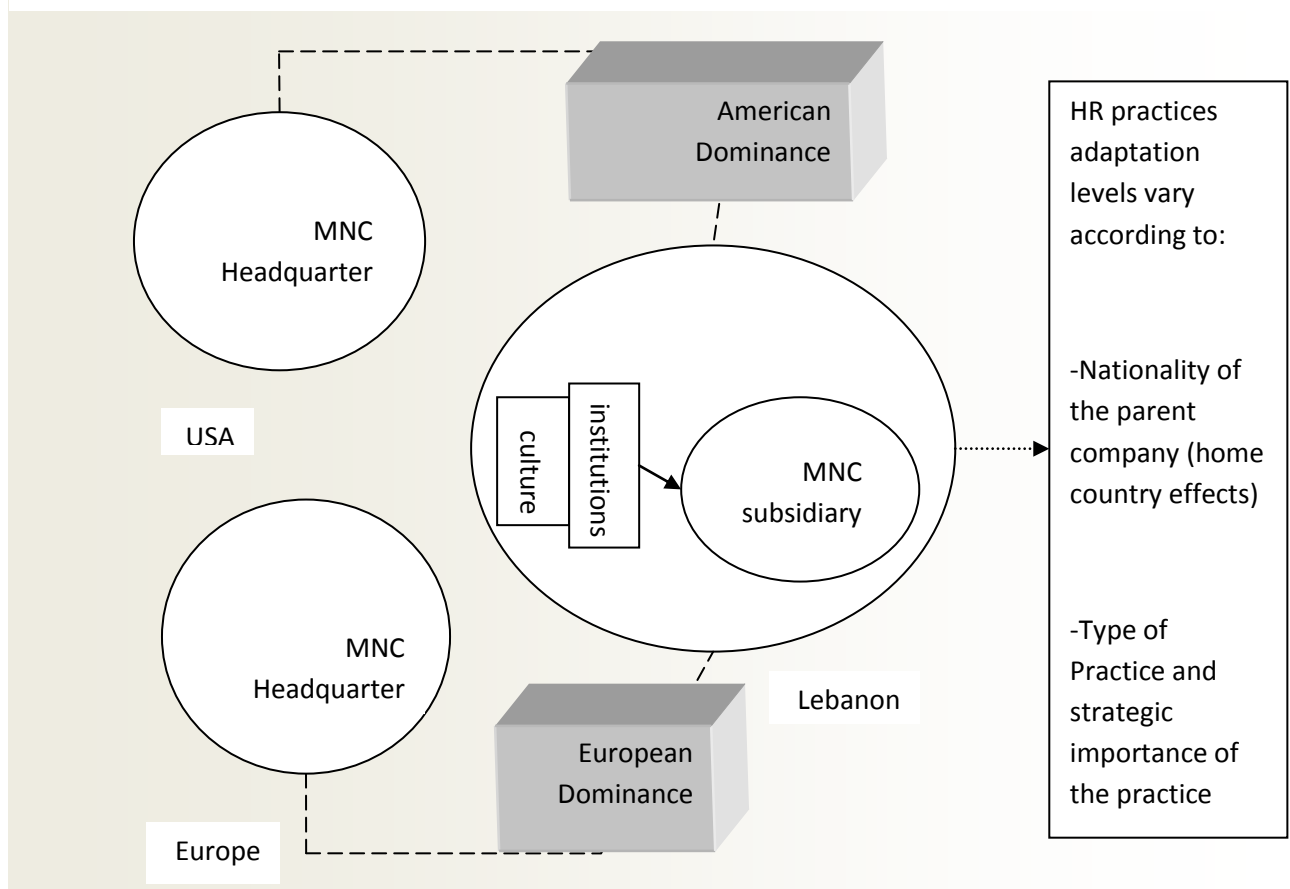
Differences in adaptation levels were also observed between American and European MNCs. European MNCs delegated more autonomy and freedom to adapt in their subsidiaries versus more standardized practices and little freedom to adapt in subsidiaries of American MNCs.

In conclusion, it could be said that the aim behind allowing local responsiveness or adapting HR practices to the local context is to respect local cultural values, traditions, legislation and other institutional constraints such as the educational system and local work practices (Gunnigle et al., 2002). The main challenge for MNCs is then to create a system that operates effectively in multiple countries and at the same time sustaining global consistency. MNCs should therefore find what is called “the HRM balance” between standardization and localization (Festing et al., 2007).

The findings are consistent with the literature as to the transfer of HR practices which is affected by home-country effects, host-country effects, and dominance effects (Almond et al., 2005, Wachter et al., 2003).

The figure 18 below summarizes the answer to the research question:

Figure 18: Summary of findings of the study



Source: Developed for this study (adapted from Wachter et al. 2003)

7.4 The main contribution of the study

The main contribution of this study is that it had explained the transfer of HR practices towards Lebanese subsidiaries. Explaining the transfer process has added to knowledge what can be called “Lebanese host-country effects”. Through examining the cultural and the institutional environment, host-country factors were identified that were behind the adaptation of HR practices in Lebanese subsidiaries. This area of the world under-researched was studied thoroughly and gaps in the literature related to MNCs operating in Lebanon were partially filled. A better understanding of a new “host-country” for MNCs is an addition by itself to the existing literature about international human resource management.

The second contribution of this study is that through examining the host environment and HR practices of subsidiaries in Lebanon, insights about Lebanese HRM, employee relations at work and work-related values were revealed. Facets of the Lebanese culture and institutions were disclosed which could help other researchers investigate further the effect of Lebanese culture on HRM practices.

Another contribution of this study to the field of IHRM is that it has used both cultural and institutional factors to examine the transfer of HR practices. Without the use of both frameworks, the understanding of host-country effects would not have been possible.

This study has also confirmed the existing literature about IHRM and transfer approaches and thus could be considered as an extension of the existing research about standardization/adaptation dilemma, transfer approaches, factors affecting the transfer and differences between American and European MNCs. The study has also contributed to the body of knowledge through the findings which were not researched before. Several findings disconfirmed the literature about IHRM approaches of MNCs and the adaptation of practices. Disconfirming the literature is also a contribution to knowledge.

Another contribution of this study is the methodology used. Most of the studies in IHRM literature rely on large scale surveys which don’t allow a deep understanding of HR practices of subsidiaries. A qualitative study based on case studies and in-depth interviews gives a deep understanding of the transfer process. The use of multiple case studies comes to fill a gap found in the literature. The analysis of cases allows to extract, using in-depth interviews, documents, observations and contextual considerations, a group of relatively exhaustive

descriptive factors of a phenomenon with an approach of “intensive description” of social phenomena observed.

7.5 Limitations of the study

Several limitations could be identified in this research.

The main limitation is related to the methodology. Being an exploratory study, the sample size is limited to ten cases including four American and six European MNCs. Moreover, differences among European MNCs cannot be generalized beyond this study since there are two MNCs per European country (2 French, 2 Swiss and 2 British). The research didn't include MNCs from other nationalities that could have produced more results (For example, German or Japanese MNCs).

Another limitation is related to the profile of the interviewees. The study suffers from using only HR managers as interviewees in the subsidiaries studied. Using other respondents (employees and managers at both the headquarter and the subsidiary) would validate the answers of the interviewees. Only two interviews were conducted, one in headquarters (CH1) and the other in a regional office (AM3). Interviewing more respondents in subsidiaries and in headquarters or regional offices was practically not feasible.

Furthermore, there exists another limitation related to the respondents' willingness to give reliable information that reflects the reality. Some respondents might exaggerate positively or negatively some situations in order to create a certain image of their role or the company. Answers were validated by second interviews with the same respondents and two additional interviews were conducted in Switzerland to triangulate perspectives.

Finally, due to the willingness of studied MNCs to remain anonymous and the insistence of the interviewees for keeping all information about their companies confidential, the documents, artifacts, records, articles and websites which all reveal the identity of the studied MNCs were studied and analyzed but were not explicitly mentioned in the study.

7.6 Future research

Replicating this study is needed to further complement the findings of this research. Increasing the number of MNCs to be studied and diversifying more the nationalities of

MNCs studied to include other European and Asian MNCs will generate more results and will help generalizing findings further.

This study can also be extended to include other host-countries in the region such as Syria, Jordan and Egypt where no research has yet been conducted about the transfer of HR practices. Extending the scope of the research in terms of host-countries allows researchers to identify more host-country effects specific to each country in addition to conducting comparative studies among these Middle Eastern countries.

Since this study has used a qualitative inductive approach, the findings of this study could be tested further by conducting quantitative surveys to increase the credibility of qualitative results.

This study has examined the host-country effects on five HR instruments (code of conduct; recruitment and selection; training and development; performance appraisal; compensation and benefits). Further research could concentrate on one practice to better understand the practice-related host-country effects. On the other hand, future research might extend the study to include more HR practices such as career management, industrial relations, and HR planning or talent management.

In conclusion, this study has shed the light on an under-researched area in IHRM which is the transfer of HR practices towards Lebanese subsidiaries. This research, which is original, could be used as a starting point for further research about IHRM in the Middle East.

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Appendix A

Case study interview protocol for subsidiaries in Lebanon

Research Project: How do American and European multinational companies transfer human resource policies and practices to their subsidiaries in Lebanon?

Country: _____ **Date and time:** _____
Name of organisation: _____
Interviewee's name: _____
Position: _____ **Nationality:** _____

Part A

Introduction. Thank you for your time to contribute to this research. Let me briefly outline my role and how this interview is designed to fit in this research.

Purpose of this research. To find out how American and European multinational companies transfer their human resource policies and practices to their subsidiaries in Lebanon and whether these practices are being adapted to the local context..

Relevance of this research. This research seeks to close the gap in existing knowledge about the transfer practices of MNCs towards the Middle east especially Lebanon.

Personal relevance. My role is that of the researcher as a 'PhD candidate. This research is an essential part of the requirements for the PhD degree at the University of Fribourg, Switzerland.

Ethical considerations. The information obtained from this interview is strictly confidential. Your company's name, your name, and any other information to identify you or your organisation will be coded or changed to keep it confidential.

The data obtained in this study will exclusively be used for this study and not passed on to third parties.

I, the undersigned, have read and understood the above and agree that the data obtained from this interview is integrated in a doctoral thesis and published following the ethical considerations listed above.

Name: _____ Signature: _____ Date: _____

If you so wish I will share the final analysis, expected in 2010, with you. Meanwhile, you can reach me on my e-mail:

e-mail: samerfrancois.nakhle@unifr.ch

Part B Interview Guide

Systematic Questions	Inductive Questions
1. Personal information: Age, position, professional experience, education, responsibilities.	
2. Parent company information: location, activity, size, history, mission, vision, competitive advantage, international strategy.	

<p>3. Subsidiary general information: activities, target market, market share, size, structure, strategy, objectives, implementation date.</p>	
<p>4. Subsidiary – parent company relation:</p> <ul style="list-style-type: none"> • Who takes decisions? • Who takes HR decisions? • Extent of strategic maneuver given to subsidiary. • Can you describe the mechanism of coordination? • Coordination problems? • Regional center in the Middle East? Or directly with headquarter? • How do you describe the level of trust between the headquarter and your subsidiary? • How do you describe the place of this subsidiary in the overall MNC? • Can you describe the communication channels between the headquarter and the MNC? • Do you consider that the presence of interaction ties and personal relations between the subsidiary and the parent company improves coordination? • How does the MNC control your subsidiary? Your department? • Do you accept willingly transferred human resource strategies from the headquarter? 	<ul style="list-style-type: none"> • At what level? Operational, tactical or strategic? • Tools of coordination? • In what area? • What is its role? • Is trust important for better coordination? Allows more freedom? Decentralization? • What is the competitive advantage to other subsidiaries in the region? • Direct/ indirect? To whom to report? • What kind of interaction ties exist? • Financially, organizational culture, performance against other subsidiaries • Centralization? What do you think?
<p>5. Human resource practices:</p> <ul style="list-style-type: none"> • What are the major challenges you are facing as a manager/HR manager in the field of HRM? • What are the major trends today? • Is there “Best practices in HR” guide to be used by all subsidiaries? • Can you differentiate between made in USA/Europe practice and those made in Lebanon? • Do you believe that there is a French/American influence in what you do? How is that? • Do you see any Lebanese influence in your HR policies? How? 	<ul style="list-style-type: none"> • What have changed in the last 5 years in Lebanon and in the world in the field of HRM? • Standardization in HR, What do you think? • Cultural, political, institutional? • Cultural, political, institutional?
<p>6. The transfer process We are interested at this stage to know first which HR practices are standardized or adapted to Lebanon and second which practices seem to you typically imported (HR practices include: recruitment and selection, training and development, compensation, performance appraisal and code of conduct).</p> <ul style="list-style-type: none"> • Who coordinates the transfer process? • How is it controlled? • Which transferred practices were adapted? • Which practice are purely Lebanese? • Which practices were transferred without any modification? • Which practices were integrated within existing practices? • What type of problems / resistance did you face during the transfer process of HR practices? • What are the barriers you face in internalizing these practices into your subsidiary? • What are the facilitators to the acceptance of these transferred practices? • Do you consider that the structure of your subsidiary has affected the transfer process of HR practices? 	<ul style="list-style-type: none"> • In case of conflict, what happens? • Who took the decision for adaptation? To what extent were they adapted? How? • Why without any modification? Superior quality of the transferred practices or inability to adapt? • What type of problems / resistance did you face during the transfer process of HR practices? • Size, age, mode of entry, dependence on local input? • How did you overcome these barriers? • What are its characteristics?

<ul style="list-style-type: none"> • What are the barriers that might affect the transfer process? • Do you consider that there is a Lebanese HRM model? 	
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Validation interview guide (2nd interview) used in subsidiaries

- What do you think about the results of the study concerning the codes of conduct adaptation?
- What do you think about the results of the study concerning the recruitment and selection adaptation?
- What do you think about the results of the study concerning the training and development adaptation?
- What do you think about the results of the study concerning performance appraisal adaptation?
- What do you think about the results of the study concerning the compensation and benefits adaptation?
- Can you explain how do you deal with negative performance appraisals?
- How important are the personal relations as a source for recruitment? How do you control references mentioned in CVs?
- Do you think bonuses are more important in your subsidiary than in the parent company?
- Concerning T&D, what type of local programs are conceived? Why?
- How do you describe the control of your subsidiary: ethnocentric, regio-centric or polycentric?
- Can you give me a real situation where the transfer of a practice was difficult?

Interview guide used in regional offices and parent companies

- What do you think about the results of the study concerning the codes of conduct adaptation in the Lebanese subsidiary of your company?
- What do you think about the results of the study concerning the recruitment and selection adaptation in the Lebanese subsidiary of your company?
- What do you think about the results of the study concerning the training and development adaptation in the Lebanese subsidiary of your company?
- What do you think about the results of the study concerning the performance appraisal adaptation in the Lebanese subsidiary of your company?
- What do you think about the results of the study concerning the compensation and benefits adaptation in the Lebanese subsidiary of your company?
- How do you control the subsidiary?
- Did you face any difficulties in the transfer of a practice?
- To what extent do you think HR practices are standard at your company?
- How do you describe the relation with the Lebanese subsidiary?

Sample letter sent to HR managers (First time interview)

Fribourg, 14 April, 2009

Dear

I am writing to you this letter as Chairman of the HRM Department at the Faculty of Economics- University of Fribourg in Switzerland. I am supervising the doctoral thesis of Mr.Samer Nakhle, a student at the Chair. Mr.Nakhle's thesis topic is " the transfer of human resource practices from American and European multinational companies to their subsidiaries in Lebanon". The empirical study of the thesis is based on a series of semi-structured interviews with human resource managers of multinational companies operating in Lebanon. We would be privileged if you could give us the time and the opportunity to benefit from your expertise by answering a series of questions which would be a great source of data to this research. The question will focus on your human resource practices, on the transfer process from the headquarter to your subsidiary, on the extent to which these practices are standardized and/or adapted; in addition to questions related to coordination, communication and parent-subsidiary relations.

I would appreciate if you give my student, Mr.Nakhle, the opportunity of meeting you for an interview of about 90 minute time. Mr.Nakhle will call you by phone to follow-up on the possibility of setting an interview. The name of the company and collected information will remain strictly confidential and anonymous.

If you have any questions or concerns about the interview or about being in this study, you may contact Samer Nakhle at 70/759387 or at samerfrancois.nakhle@unifr.ch , or myself at eric.davoine@unifr.ch .

I look forward to collaborating with you,

Sincerely yours,

Eric Davoine Ph.D
Chairman- HRM- Faculty of Economics
University of Fribourg

Sample letter sent to HR managers (validation interview)

Dear

We would like to thank you for giving us the opportunity to meet you in spring 2009 and discuss several issues related to HR practices at your subsidiary. With your cooperation and the cooperation of nine other Lebanese subsidiaries of well-reputed American and European multinational companies, the interviews we have conducted were fruitful and we could extract some valuable information and draw up some important conclusions.

Accordingly, we have prepared a presentation which shows the main trends identified in the Lebanese subsidiaries of ten European and American multinational companies. The presentation gives interesting insights about the Lebanese case in international HRM. It would be great to have a face to face interview or a phone interview with you to present these results. Mr.Samer Nakhle will be in Lebanon between the 28th of October and the 8th of November. We would be thankful if you can give us an appointment during this period; his presentation will not last more than 30 minutes.

We would also be thankful if you can provide us with the name and the e-mail address of the HR manager in the regional office or the head office who coordinates the Middle East activities. For research purposes, it would be very interesting to have a complementary perspective on Middle East HR coordination.

We really appreciate your cooperation which is essential for the completion of our research.

You can kindly reply to this letter by e-mail to eric.davoine@unifr.ch

Sincerely,

Prof. Dr. Eric Davoine

PhD.Cand. Samer Nakhle

Sample e-mail sent to regional HR managers in Switzerland

Dear

I hope this mail finds you well. I am a PhD student at the University of Fribourg expecting to defend my thesis in February 2011. My thesis deals with the transfer of human resource practices of American and European multinationals to their subsidiaries in Lebanon.

CH1 is one of the cases studied and analyzed in my study. Around 1 year ago, I have interviewed Mr....., who was the human resource manager of CH1 in Lebanon at the time. For research purposes and to triangulate perspectives, I have to meet with another human resource executive at CH1 in charge of the Middle East.

For this reason, I am asking for an appointment to meet you for a short time and ask you some questions about human resource practices of CH1 in the Middle East. I was referenced by Mr.....to contact you.

I am looking forward to hearing from you soon. Your help would be a major contribution to the success of my study.

Sincerely,

PhD.Cand. Samer Nakhle

Appendix B: Preliminary data analysis using matrices

AM1

<p>Organizational culture (code of conduct)</p>	<p>Explanation: The code of conduct is a global conduct manual including global standards. Clauses are fully accepted by Lebanese employees. The business conduct manual is only focused on business practices, how you manage external interactions, legal issues, operating principles. It is the same in Switzerland where also employees from several nationalities are working and yet they are complying.</p> <p>AM1 makes sure it is well absorbed and understood by employees across the globe. This is part of the development program at AM1, it is called the business conduct manual. On periodic basis, each employee has to go through it again to make sure that he / she refresh his/her memory. It is part of the on boarding of new hires at AM1 and it is an online system. AM1 has a training website that has all things that an employee might need. Once a new hire, he/she has to go to this link and there is a test at the end to make sure of the completion and it is done globally and on monthly basis. It is synchronized across the globe to make sure that all new hires all around the world have completed the training. It is monitored from the global team, the CEEMEA team and the local team to make sure that all the organization is compliant on the business conduct manual.</p> <p>One of the control mechanisms used is the organizational culture. The organizational survey is the biggest tool used to measure how healthy is the organization performing. It is conducted on yearly basis across the globe, by markets, by functions, by different demographics. The input of the survey is anonymous and comes from the employees on all the drivers and the pillars specified as the key healthy measures for AM1 culture.</p> <p>Adaptation: none. In case there is a conflict between a local and a global practice, it highlighted to the parent company. Subsidiaries share success models and best practices and at the same time the homogeneity of the AM1 culture is a facilitator factor. There is an alignment process to make sure that this is tailored and it is not a one man decision, it is a team work and AM1 makes sure that any initiative applied complies with the diversified community at AM1. AM1 leverages diversity, respects all individuals and all practices are business efficient and show respect for the diversity.</p>
<p>Recruitment and selection</p>	<p>Explanation: It is part of the AM1 strategy to have some practices to be localized and others done on global basis. AM1 people system is global. The recruitment system is the same in Lebanon and in the US. The recruiting process is standard, it is an online system. An applicant has to pass through 3-4 interviews with 3-4 different managers. The process is time consuming which means that the process has to be efficient and the candidate is the right type AM1 is willing to attract. An online system is available where all the global positions are posted. The candidate has to fill a questionnaire linked to success drivers . The candidate is then invited to a reasoning test which is standard. Once passed, the candidate is invited for a screening interview and then 3 to 4 interviews are conducted. A panel of those who interviewed the candidate vote for or against the recruitment of the candidate. The panel has to vote 100% for the candidate and not the majority decides. AM1 tries to insure 100% transparency in its recruitment process. In addition, vacancies are posted internally in case employees want to apply. The parent company doesn't interfere in the recruitment process. They just set the global standards and measures. They work on the validity and the reliability of the reasoning test used, they set strategies for recruiting process but the execution is local for example identifying the key universities is done within the local team.</p> <p>Adaptation: Definitely in many market, the company should identify the key sources for recruitment. For Lebanon, it is essential to partner with the key universities. Recruiting is done on campus or in different forums and then there is a standard system to make sure it is fair, accessible to everyone.</p> <p>Role of regional office: They don't interfere, they just set the global standards and measures. For example they work on the validity and the reliability of the reasoning test</p>

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	that we are using, they set strategies for recruiting process but the execution is local, identifying the key universities is within the local team.
Training and development	<p>Explanation: Corporate trainings are standard yet any qualified trainer can establish a new training that he sees suitable for the needs of the organization. Some training programs are conducted abroad, online or locally. The training budget is allocated from the headquarter yet the request is initiated locally. The local representative sends the training plan .Once the approval is taken, the budget is allocated. It is a two way communication between the subsidiary and the headquarter. As for managers, all employees start at entry-level and then they progress in the company and they need to acquire skills for the next levels. It depends on the performance evaluation system, an assignment planning process, and the member ability to go for a higher level. There are certain programs for managers. There are specific trainings once managers get an international assignment yet it is not an international program. It is an on the job training.</p> <p>Adaptation: The training programs are standard yet sometimes the trainers put the local touch. The material is standard but the context or the core might be tailored because training depends on the audience, seniority, areas of interest, etc.. Local initiatives are taken into consideration.</p> <p>Role of regional office : Budget approval</p>
Performance appraisals	<p>Explanation: The 360 degree evaluation process is used where different feedbacks are collected for each candidate .Once the manager gets these feedbacks and summarizes them into a work plan and then sits together with the employee and set targets. It is management by objectives. Each manager sits with his direct report and they agree on specific measures and on action plans. There is a calibration committee and they calibrate the rating of the employee on the compensation and benefits system. It is standard in terms of system.</p> <p>Adaptation: Yet in terms of varies, it is different according to market. For example salaries in Lebanon are different than salaries in Egypt. The criteria, the system and the guideline however are standard. (No adaptation of performance appraisal but adaptation of bonuses and salary scales)</p>
Compensation and benefits	<p>Explanation : AM1 has a compensation umbrella with certain principles like for example it has to pay for performance which is a guiding principle across the globe.</p> <p>Adaptation: some principles have to be tailored and flexible in order to make sure that the subsidiary remains competitive and compliant within the local market. Some practices are tailored to the local market like for example the compensation and benefits system. AM1 is compliant to the local labor law. For benefits, schooling allowance might be required by the law in Lebanon whereas it might not be required in Egypt. AM1 makes sure that its cost structure which includes the compensation and benefits, keeps it competitive because this structure will affect the pricing of brands and eventually the competitiveness in the market. When it comes to compensation and benefits, the MNC is obliged to benchmark because it has the same liabilities, it is exposed to the same market dynamics, it is operating under the same tax structure, liabilities and regulations and it is competing for the same talents</p>
Information system	Another control mechanism tool is the IT system which has a control side .It guides each employee how to operate. Through the AM1 intranet system, delegation and authorities are well defined. Many control points are present to ensure efficiency and compliance.
Reporting	Not Applicable
Conferences and Visits	Through a systematic business cycle, a scheduled meeting takes place on yearly basis. During this meeting several issues are discussed: the plans, the target volume, the pricing strategy, the promotions, and the initiatives. In addition, regular forums are organized whereby the Lebanese subsidiary team travels to Geneva or the Swiss team comes to Lebanon in order to align and set the right priorities for the next period. (regional office in Geneva : <i>"The Lebanese subsidiary is accountable to the headquarter in Switzerland which is accountable for the global headquarter in the USA"</i>)
Compliance officer	There is a central team for every practice. For example within HR, there is a compensation and benefits CEEMEA team. In many other cases there are internal audit in different areas and on different periods to make sure that the subsidiary is fully compliant.

AM2

<p>Organizational culture (code of conduct)</p>	<p>Explanation: “<i>The code of conduct is like a Bible</i>”. Each employee hired at AM2 has to be trained on it and has to certify that he was trained on it. Apart from the code of conduct, or part of it is related to customer relations, or dealing with customers. It is called Business Conduct Standards (BCS); it includes what is allowed to do and what is not allowed to do. There is a hotline directly linked to the USA whereby employees can complain directly. The parent company makes sure that the organizational culture is really strong and everyone is integrated or respects this culture through a global employees’ survey done every two years. Each employee fills in that survey and it has parts about the culture, the ethics, the work environment, about work-life balance.</p> <p>Adaptation: The code only differs from one region to another. There are the US’ BCS the International-West (Europe, Middle-East, Canada, and Latin America) and the International-East (Asia-Pacific). However, it should be noted that there are some issues found in this code of conduct which are not of importance in the Lebanese context like for example the sexual harassment. Employees joke a lot and most of their jokes are of sexual nature. (adaptation in daily implementation)</p> <p>Role of regional office: Not applicable</p>
<p>Recruitment and selection</p>	<p>Explanation: Each subsidiary has its own practices. In terms of employee on boarding, and employee orientation the subsidiary is working on a task force to have a global on-boarding system because it was lacking at AM2. When an employee steps in, he doesn’t really know where he stands, and he’s not oriented the way a AM2 employee should be oriented. So now, during this fiscal year a global system will be initiated, with global on-boarding practices with a website. There are mainly three sources for recruitment. Being in constant contact with distributors is a great advantage. The main source of recruitment is people who have been working at distributors. Those know about the products and they are directly ready to work for AM2. They are trained originally by AM2, and they are working in the field. And this is the most precious experience. Many of the employees were hired through this method. Another source is through word of mouth. People recommended to the subsidiary by other employees or contacts, and the third source is newspaper advertising as well as contacts with major universities like AUB and LAU. The HR manager along with the hiring manager and other business managers conduct interviews. The subsidiary seeks qualified personal. For example, the receptionist has a BA from AUB. It took the company seven months to find. The company someone involved and being able to advance. Previously, a receptionist became a sales manager.</p> <p>Adaptation: Fully adapted but working towards standardization (requested by subsidiaries)</p> <p>Role of parent company: The parent company doesn’t interfere unless there is a hire freeze whereby they inform the subsidiary that no one could be hired for the time being.</p>
<p>Training and development</p>	<p>Explanation: Technical trainings are excellent at AM2 and they are set globally. There are also certification programs, and it’s not easy because the company sells high-tech devices and they are life-saving therefore mistakes are not allowed. That’s why employees go through a very thorough technical program. They go to the US, to Switzerland, depending on the location of their business unit. In terms of development training, AM2 has its internal programs. There is a catalogue of trainings, which is updated on a yearly basis.</p> <p>Adaptation: none. In Lebanon, the managers also train their employees but it’s not official.</p> <p>Role of regional office: Those trainings most of the times are held in headquarters in Switzerland. Cost effectiveness of sending someone to Switzerland is checked before any approval is given.</p>

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<p>Performance appraisals</p>	<p>Explanation: Performance Management is more or less standard. Sales people have an incentive plan which is quantitative. At 100% achievement of target, an employee gets 100% of his incentives. If he over achieves, he can double his incentive. If he under-achieves, he gets zero. As for the merit increase, it's related to performance management. Depending on the rating, which is between 1 and 5, an employee gets a merit increase accordingly within the budget. It is decided abroad but based on figures provided by the subsidiary.</p> <p>Adaptation: none</p> <p>Role of regional office: Not applicable</p>
<p>Compensation and benefits</p>	<p>Explanation: There is a rewards and benefits website for the company.</p> <p>Adaptation: compensations and benefits are not standard. They are market-based related to multinationals in Lebanon and following the Lebanese law. For instance the law says that transportation cost is 8000 LL/ per day (around 5 dollars). The subsidiary pays a minimum of 400\$/ per month. So the lowest level employee gets 400\$/month for transportation .There is a meal allowance of 10 \$/ per day for people in Lebanon. Those who travel on business trip of course can claim the extra cost through an expense report. There is gym allowance worth 600\$ per year (this is American). This is to encourage employees to do sports, because AM2 cares about their well being. The company also offers medical insurance, 100% paid by the company, first class. In addition to life insurance equivalent to three times the annual salary. The breakthrough that the company introduced two years ago is a pension plan.</p>
<p>Information system</p>	<p>Web X (virtual meeting software).</p>
<p>Reporting</p>	<p>The parent company controls the subsidiary mainly through reporting. Reporting is required on a monthly basis, quarterly and at the closing of the fiscal year.</p>
<p>Conferences and Visits</p>	<p>Not applicable</p>
<p>Compliance officer</p>	<p>The HR manager is the compliance officer.</p>

Important note about AM2: "Any transferred practice could be customized to the Lebanese culture. This flexibility has facilitated the transfer. Once customized, it could be applied directly without the approval of the parent company." "It's much decentralized. Last May, the company went into huge reorganization whereby it divided the whole AM2 world into US and International. Before that International was divided into Asia/Pacific, Europe/Middle-East and Africa. Now there is one International in addition to the US. There are one chairman or president for the US and a president for the International. The VP in Lebanon now reports to the president of International. Seven regions report to that president of International. Each region is very independent."

AM3

<p>Organizational culture (code of conduct)</p>	<p>Explanation: “<i>It is a Bible</i>”. It is the same on the intranet. Any new employee as part of his recruitment, has to pass the code of conduct. The employee has to go through it and sign on it and becomes bound by its terms. Any deviation from the code of conduct can lead to termination. This is very clear to everybody. It covers the ethics that should govern work as an AM3 employee and employees should abide by it.</p> <p>Adaptation: no adaptation but there is sometimes some emphasis on some issues that are not applicable in the Lebanese culture. Some issues might be too much stressed because the American culture gives more importance to this point. Employees sign on the code of conduct although they have different conceptions about the issues like for example on sexual harassment. Sexual harassment is a big issue in the states. In Lebanon, it is not a big issue. Moreover, in Lebanon, there is no colour discrimination but there religious and gender discrimination.</p>
<p>Recruitment and selection</p>	<p>Explanation: There are no formal methods of recruitment but if any recruitment technique is to be used, it has to come from the home office and used across the region. Even the GM doesn’t interview the person. All recruitments have to pass through the HR manager but not necessarily through the GM. For example, from a recruitment perspective, If the regional office allows the subsidiary to recruit an HR assistant and the HR manager knows that the salary bracket is between x and y so the subsidiary should recruit this much headcount per year within this set budget. A specific number of headcount approved within a set payroll must be respected. This is reported monthly by the department. At the accounting level there are reports that would support the expenditures of the subsidiary. For senior positions, candidates should pass through a set of interviews.</p> <p>Adaptation: No adaptation</p> <p>Role of regional office: The source of guidelines. The subsidiary should get the approval for the headcount. If it is not a senior position, the decision is taken locally.</p>
<p>Training and development</p>	<p>Explanation: A new employee goes through an orientation program which is a rotation program through all departments given usually at the beginning for two weeks so that they get acquainted with their work. AM3 does an orientation where new hires have to spend one or two days in each department depending on which department they will work in. For example, if an employee will work in underwriting, he/she has to stay more in agency to understand the product. In terms of training, there is a seminar in the regional office once per year. It is a regional meeting, during which employees from all territories meet together. The regional office sees what was done, It does a technical review and then it advises the subsidiary on what should be done. There is also the home office training, formal development training especially for the agency people, which is developed by the home office. It is a program where an AM3 employee has to complete modules the first year and then the second year and it goes throughout many phases. There are also managerial training programs that are developed by the home office and provided by the regional office and attended by selected people every year from all territories. It is a standard program. Each year they select some managers from different areas.</p> <p>Adaptation: No adaptation of standard programs but there are local training programs developed based on local needs. For example, some people must be trained on taxes. The Lebanese accounting managers have to follow training about taxation. There are taxes in Lebanon but there are no taxes in the Gulf. The differentiation between the countries would impose different kinds of training. The subsidiary could ask for the services of training agencies. In-house and external trainings are conducted. The choice of the method depends on the need. As for mobility programs, employees can move horizontally, vertically, inside Lebanon, or outside Lebanon.</p>

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Performance appraisals	<p>Explanation: The performance appraisal is standardized. It is linked to rewards. The criteria used to evaluate performance differ from one department to another.</p> <p>Adaptation: none</p>
Compensation and benefits	<p>Explanation: Benefits are standardized at the regional level. Bonuses are also standardized. Some benefits are imported. For example, there is the pension scheme for employees which is not stipulated in the labour law but which is provided across the region.</p> <p>Adaptation: salaries are linked to the market practice and the cost of living. The benefits are set to respect the labour law. The subsidiary can never go below the labour law but it can provide better.</p>
Information system	Not applicable
Reporting	Control is done through monthly reports and quarterly reports. The regional office must always be provided with necessary information and any project should be signed by the regional office which gives authorization and the results should be sent later.
Conferences and Visits	Not applicable
Compliance officer	<p>There is a compliance officer responsible for the transfer process. Her role is to transfer this culture from the home office to the subsidiary. She does regular reviews to make sure the subsidiary is complying. She has some standards that she has to review. Typical questions that she might ask would be if employees signed the code of conduct, she checks the corresponding documents and papers. She makes sure that a certain activity is done and well documented. There is a hotline for conflicts. Issue are handled confidentially.</p> <p>There is also a regional compliance officer handling compliance issues in the region and there is a compliance team in the home office that makes sure that the compliance aspects of work are being achieved 100%. The most important compliance is in terms of finance.</p>

Important note about AM3: *"The regional office doesn't impose practices on the subsidiary. If it doesn't pass, they stop it. There is a kind of democracy. There are no barriers in the transfer process".*

AM4

Organizational culture (code of conduct)	<p>Explanation: Employees have to sign on it. The day fresh graduates come; they receive an induction package which includes the independence, secrecy and the code of conduct. It is the same template shared internationally.</p> <p>Adaptation: none</p>
Recruitment and selection	<p>Explanation: The main recruitment sources are universities mainly 2 or 3 top universities in Lebanon with high GPAs. High GPAs mean the person is serious and hard worker.</p> <p>The HR receive CVs, screens them, then CVs with majors and universities needed are collected. They are then invited and the HR discusses with them about their views and then they are called for an interview. If the criteria in the CV match, they do an interview with the HR manager. There is a list of competencies that the candidate should have. For fresh graduates, they will not have all of them but at least to a certain extent. Their team skills, leadership skills, conflict handling are checked through a set of questions. A clear path is given to recruits from day 1 till year 13. Candidates should pass accounting, auditing, English and Arabic tests.</p>

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	<p>Concerning selection of managers, there is a career path. A person starts as an associate 3,2,1 and this is what is called graduate development program because they are recruited as fresh graduates. Then he goes for the office training, the central training, web based learning and in the field training. There is a booklet to fill to be controlled by the graduate development officer. Then the employee is promoted to senior 1 and 2 and then assistant manager and finally manager. To jump from assistant manager to manager, he has to be qualified in the service line. For example audit requires the CPA certification, for the transaction support, the CFA is required, for business management, the CMA is the requirement. He has to pass the manager assessment center test.</p> <p>Adaptation: None. Adaptation of test (Arabic language test)</p> <p>Role of regional office: The headquarter in Bahrain doesn't interfere but ask the subsidiary for assessments of these tests. There are recruitment champions in the head office who monitor the recruitment process and the subsidiary must send them what is being done. The headquarter should approve recruitment plans. They control the process not the details.</p>
<p>Training and development</p>	<p>Explanation: Standard. There is a web-based learning. Anyone can go according to the service line and years of experience and the system gives the training track. There are class room training in house, in the head office, and globally. There is a track for each one. There are core courses and specialized courses. There are booklets that should be followed and implemented by the knowledge resource center in the head office which works in liaison with the AM4 global. There is a training executive and Mrs.Tahan is the training partner. She has a map for each employee, what core courses he did and what specialized courses he did in line with the service line where he works. If he is in audit tax, he will not be sent to take the banking I course for example. The training is standard everywhere and there are obligations that each employee should have 20 hours of CPE (certificate permission education) per year. As for managers' development, there are 4 levels of management. There is a development center where managers have to follow to be upgraded from one level to another. The final level is called partner. They develop managerial skills. These programs are conducted in Europe and controlled by London.</p> <p>Adaptation: none</p> <p>Role of regional office: The budget is approved jointly by the subsidiary and the regional office</p>
<p>Performance appraisals</p>	<p>Explanation: There is the performance appraisal system PAS, employees work by hours. Whenever an employee works more than 40 hours with a client, he fills an assessment form and submits to the in charge that fills it back and scores it. Each employee has a counsellor. Appraisals are summarized. They are standard and found on the system. The method used is a multi-source feedback, a kind of 360 degree feedback whereby the client has to fill a survey. Appraisals should be done on time.</p> <p>Adaptation: none</p> <p>Role of regional office: The regional office has a scorecard for each office, they have the activities and they monitor it if the subsidiary is doing work properly and on time</p>
<p>Compensation and benefits</p>	<p>Explanation: Salary ranges according to education and grade. The efforts and performance are reflected in the bonuses.</p> <p>Adaptation: Market surveys are done to decide upon salary levels. The benefits are locally determined because there are no expatriates. Benefits include schooling allowances and medical coverage. The head office suggests benefits but they don't impose. The subsidiary should abide by the Lebanese labour law. For bonuses, it has 2 factors: individual performance and the office performance (the profits are distributed among employees). The subsidiary supports study and education of employees.</p>

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	Role of regional office: Not applicable
Information system	Not applicable
Reporting	The main control mechanism is through reporting
Conferences and Visits	Coordination is done through a monthly conference using video conferencing. The chairperson initiates ideas and topics and at the end best practices are adopted in other offices and ideas are exchanged.
Compliance officer	The HR partner in the Middle East office sets rules, policies and regulations to follow. These are implemented by the AM4 global. Lebanon is part of the Middle East office and the Middle East office is part of the EMEIA and EMEIA is part of AM4 global.

Important note about AM4: "The recruitment is standard, training is standard, performance appraisal is standard, salary is local and benefits are adapted"

FR1

Organizational culture (code of conduct)	<p>Explanation: « <i>Trois jours, trois mois, ou trente ans.</i> » Something like that. Either you like it, or you don't. Sorry, sorry. "Trois mois, trois ans, ou trente ans". Which is either you are here for three months, and then, you can after the proUK1ion period say, "Ok. This is not made for me. I can't integrate well with the culture." It's not the work. Definitely, not the work. Not, definitely, the people. We've got brilliant people who just cannot integrate well with the culture. So, the culture over here is very, very strong. Whether it's in Lebanon or in the Zone, let's say, not in anywhere in the subsidiary because I don't know other points in the subsidiary, but I believe it's the same everywhere. We have a very strong culture which is dominant, and you can feel it in subsidiaries mainly."</p> <p>The code of ethics is shared internationally. Each newly recruited employee should sign a form stating that the code of conduct was well-read and understood.</p> <p>Adaptation: Some clauses are not very important to the Lebanese context like for example sexual harassment. These clauses should not be considered as inapplicable but as seen with a different perception. Another conflict that the Lebanese subsidiary is facing is corruption. In Lebanon, to get governmental formalities done on time, a bribe or a gift is necessary. However, the code of conduct has a strict law against gifts and bribes. Gifts exceeding 50 USD in value are considered to be bribes. "It's not that they are not accepted; they are just not existing over here. For example, corruption is less an issue for the company in the US, but more an issue over here"</p> <p>Role of regional office: Not applicable</p>
Recruitment and selection	<p>Explanation : The main sources of recruitment are universities and job fairs. FR1 deals mainly with 3 to 4 universities in Lebanon with which it has built a partnership. The universities are mainly the American University of Beirut, Lebanese American University, Notre Dame University and l'Université Saint-Joseph. These relations are governed by what is called at FR1 "The campus management system".</p> <p>The Lebanese subsidiary has also the online recruitment system. FR1 uses also headhunters and recruitment agencies for certain positions or certain profiles.</p> <p>Adaptation : There are specific guidelines for recruitment. The subsidiary has a certain degree of maneuver as to follow fully or partially the guidelines. "Now, we can follow and not follow any of those, but these are the guidelines set by the Zone for the best practices. To have very well integrated, very well set recruitment system, you have to follow these guidelines. It depends on the percentage, on which points you really focus on, and which points you disregard."</p>

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	<p>Role of parent company: The parent company doesn't interfere in the process but has to give an authorization for recruitment. It depends on head count. The subsidiary shouldn't exceed the head count set by the parent company unless it has a very valid argument. <i>"They just set us the best practices maybe"</i> <i>Practices"</i></p>
Training and development	<p>Explanation: FR1 has its own training center which is in Dubai. It serves the Middle East region. Some training programs are offered in Paris especially programs for senior managers. The parent company in Paris has a partnership with INSEAD for example. There is a mobility program provided for employees all over the world to go to Paris temporarily so that they get acquainted with the people and get to know whom to contact in case they have an issue to handle.</p> <p>Adaptation: None Role of regional office: Programs are prepared in Dubai.</p>
Performance appraisals	<p>Explanation: Pay is related to end of year performance appraisal.</p> <p>Adaptation: there is some flexibility when it comes to the implementation of certain procedures. Slight adaptations could be done to adapt to the country's legislation. <i>"Now, of course, you've got some issues which are different between us and France because some (because we got) legal aspects which you have to following different countries. For Lebanon, for example, I mean you are not obliged to give a bonus while in France, maybe, you are (I don't know)... It depends on the country legislation all that."</i></p> <p>Role of regional/parent company: The scheme is developed at the parent company.</p>
Compensation and benefits	<p>Adaptation: Compensation and benefits are adapted to the local law. In France, FR1 gives schooling. In Lebanon, it doesn't exist.</p> <p><i>"For example, the subsidiary in Dubai is operates differently than in Lebanon, and in Lebanon operates differently than in Egypt. So, let's say, over here you've got a minimum of 15 days annual leave by law; France will give 18."</i></p> <p>Role of regional/parent company: Not applicable</p>
Information system	Not Applicable
Reporting	<p>Every person has two reporting channels. For example, the financial manager reports to the country manager but he also reports to the zone financial manager located in Paris. The parent company is involved in decision-making. Even if sometimes they give the subsidiary the freedom to take some decisions, the subsidiary should inform the parent company about decisions taken. For example, if a product manager has to be changed, the HR department in Paris should be informed.</p> <p>The main control mechanism is through procedures, systems and reports. As for the HR department, it is controlled basically through reporting which has to follow certain guidelines. Reporting is done for different HR issues including payroll increase, training, recruitment, integration and career development. A report is also sent to the parent company exposing the HR strategy for the 3 years to come. However, control is not very strict when it comes to HR because it depends on the culture and country</p>

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	where the subsidiary is operating. In HR, there is a possibility of using innovative methods depending on the culture.
Conferences and Visits	Regular conferences are held for example the budget planning session where by all division managers have to go to Paris or zone managers from France have to come to Lebanon.
Compliance officer	None

FR2

Organizational culture (code of conduct)	<p>Explanation: Employees should acknowledge and sign the code of conduct. At the beginning, when an employee is hired, there is a workshop about the code of conduct to make sure that the employee has well understood the code. The bonus system is linked to the code of ethics since this code has to do with the qualitative performance appraisal conducted.</p> <p>Adaptation: <i>“Some clauses do not concern the Lebanese culture like for example colour discrimination, there are other types of discriminations like for example sects”</i>. No adaptation in texts.</p> <p>Role of regional office: Not applicable</p>
Recruitment and selection	<p>Explanation : The main methods used are headhunting and outsourcing. Methods ad sources are not standard. There are four levels at the company: n-3, n-2, n-1 and n. The GM is n and the head of department is n-1. Any recruitment below n-1 is the responsibility of the HR and the head of department in charge. For the head of department positions, it is the responsibility of the HR, the GM and some feedback and validation from the HR zone. The final decision for this position and the final approval is for the GM.</p> <p>Adaptation: The decision is local. The HR manager in the subsidiary and the general manager take the decisions.</p> <p>Role of parent company: senior positions should be approves by the parent company.</p>
Training and development	<p>Explanation: The training is internal. It is divided between field force training and other trainings. For internal training, field force is trained with the needed competencies. The training plan is developed internally; the business support department is responsible for the field force training, with collaboration with the HR department and the sales department. It depends on the subject. For a new medical representative who joins the company, he/she should follow the curriculum training. It is about the company, the values, the rules, and the code of conduct. In addition, he/she will get the product knowledge, the selling skills, the tools, how to do his job. (Standard). There is also a mobility department which manages all expatriates over the world through an expatriation policy.</p> <p>Adaptation: Some training programs were developed locally</p> <p>Role of parent company: some modules are developed at the regional zone.</p>

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Performance appraisals	<p>Explanation : There are quantitative and qualitative appraisals. Quantitative are based on the individual's objective. Every employee has 6 objectives part of these objectives are qualitative and others are quantitative. Quantitative is related to performance, to specific KPI assessed mid-year and end of the year. This incentive scheme is related to the 50% quantitative and 50% on qualitative. The qualitative is how the employee is living the values of the company, the attitude and how is he doing things. The guideline is sent by the company. (standard)</p> <p>Adaptation: <i>"It is a unified system. However, some adaptations are possible provided the system remains 50% for quantitative and 50% for qualitative."</i></p>
Compensation and benefits	<p>Explanation: The compensation and benefits are determined after a market survey is done about competitors in the industry. The insurance is obligatory. However, the subsidiary can give a benefit that matches the needs of the market provided it has the tools and the resources. When an employee joins the company, he/she knows that this is their incentive scheme, this is the bonus, the insurance policy, the car allowance etc.. This is done internally.</p> <p>Adaptation: According to local market.</p> <p>Role of parent company: It doesn't interfere in these details. If the budget is approved, the subsidiary can use this budget freely.</p>
Information system	There is a common information system.
Reporting	Control is done through the financial system and the monthly reporting. The HR manager in Lebanon reports to the HR manager in Paris
Conferences and Visits	As an HR manager, He communicates with the headquarters videoconferencing, telephone, meetings, regular meetings and e-mails.
Compliance officer	None

Important note about FR2: *"There are guidelines for each HR practice (recruitment, the safety, incentives scheme, talent management, performance management, compensation)*

The subsidiary follows the guidelines taking into consideration the specificity of the country but the main frame is there. The guidelines must be respected but could be adapt to the internal rules of the country especially the labour law."

UK1

Organizational culture (code of conduct)	<p>Explanation : There is the standards of business conduct which is actually owned by legal not by HR. It is under the legal department. To ensure that people know what the standards of business conduct are, every single employee needs to sign the standards of business conduct policy.</p> <p>There is a place where employees can complain, it is called the bottle. It's anonymous and employees decided that it should be in the HR office. They are managed locally. There are also surveys which are called "Your Voice". Your voice is done also on a global level. It measures the culture of the organization. It has a lot; it's a big scope, from culture to reward, to a lot of things. It is done every two years. There are norms that results should be compared to. It compares versus UK1 norm, global UK1 norm, versus the area, versus the region, versus UK1 global norm, and it compares externally versus the high performing FMCG's globally.</p> <p>Adaptation: none</p> <p>Role of regional office: Not applicable</p>
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<p>Recruitment and selection</p>	<p>Explanation: Recruitment depends a lot on word of mouth and on referrals. Historically and statistically, most of recruitments are through referrals. Recently, a website was launched, which is MENA careers where candidates can place their CVs. UK1 also participates in job fairs organized by universities mainly AUB. The subsidiary provides students with internships during summer for two months. If they're good they are hired as management trainees later on. Sometimes the subsidiary goes through recruitment agencies mainly for more senior positions. The recruitment process is standard. The interview is standard following a unique interview guide based on leadership capabilities required and the assessment of applications is standard. For example, if the subsidiary is looking at a future manager, this future manager when he will do the recruitment, he has to demonstrate these qualities set under the leadership capabilities. The assessment is done this way, assesses the same qualities, the same capabilities the interviewer assesses the same capabilities which is different from the functional capabilities. The tests are standard but <i>“you might find in different places they use more test or less test”</i></p> <p>Adaptation: Nothing adapted but the subsidiary can innovate or adapt if necessary.</p> <p>Role of regional office: The regional office doesn't interfere in the process. They should only approve the headcount and the budget. For senior positions, candidates are interviewed by the regional office.</p>
<p>Training and development</p>	<p>Explanation: There are different levels of training programs. There is an international which is run by Globe House. It's international and it is standard, and you have a whole nomination process. So, it's not easy to get on them. It is not easy to be chosen to attend global trainings. There are the regional courses, the area courses and local courses. The employee does his own development plan with his line manager. In their development plan they say, “My development needs are X, Y, Z, and I think I can develop this by attending this course because the list of courses are on the intranet (international and regional). The area ones are sent beginning of the year to the all employees, so they know what courses are available. These development plans come to the HR department. As for development of managers, there is talent review .It's a meeting that starts at the zone level and is cascaded all to the global level. The Talent Review Meeting covers with managers and within the development plan of the managers and the career development plan. So, each employee puts in the inspiration, the next step reference where he would like to move. Everything is discussed in that meeting. The Talent Review Meeting is attended by the leadership committee, and every single manager in the zone is discussed and is given examples, comments; where is this person going next within the next year, two years, whatever it is. They track their career. There is also the functional regional the Talent Review Meeting then global meeting. Once all the types of interviews are done, every person is given feedback on the comments and talent review, how is their career progressing, any feedback on their next moves, etc.</p> <p>Adaptation: the process is standard. if there's a need, for example: five employees are saying they need negotiation skills and there is no negotiation skills offered on the area level or regional or international then it's easier to administer it locally. There are internal trainers. The courses are designed through consultancy with the global development team. There are train the trainers courses to help internal trainers in their work. Local courses are decided by the subsidiary. “Local courses... We decide on what we want, even the budget”</p> <p>Role of regional office: They interfere in the development of programs; train the trainers programs, talent review meetings.</p>
<p>Performance appraisals</p>	<p>Explanation: There are two kinds: the bonus (annual bonus) which is not individual performance; it's the organizational performance. The bonus, for example, for Levant & Yemen is based on the performance of Levant & Yemen on certain criteria. So it's not individual; it's organizational; it's the company performance. The individual performance is rewarded by the annual increase. Depending on the rating that an employee gets (the performance rating), the employee gets a certain percentage in his annual basic salary increase on a yearly basis. So one is related to performance, and one is related to the performance of the organization (of the company). It's a global system. It's the performance development called “Perform”. Performance objectives must be set at the beginning of each year. By August there is a mid-year</p>

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	<p>review .Then, by December, January there is the final rating to assess the year performance.</p> <p>Adaptation: None “<i>Not adapt, but we constantly every year we are doing an internal audit (this is Lebanon only) to ensure the quality of the performance objectives are done right, to insure the consistency, and to insure... You have committees assessing the performance objectives and not an individual, so you don’t have this subjectivity</i>”</p> <p>Role of regional office: not applicable</p>
Compensation and benefits	<p>Explanation: There are local employees and international assignees. There is an expatriation package which is standard. It is global. There is a specific process and a specific guideline and conditions have to apply.</p> <p>Adaptation: “<i>For locals, also, it’s standard, but it follows the local market</i>”. In terms of benefits, they differ from one country to another for the locals. Some locals, in Lebanon for example, they take car allowances. It is driven based on what is applicable in that market. The rewards are decided by a reward team along with the heads of HR. Gading is done according to cost of living, market studies, and salary service. Every year there is a Board Compensation Committee which overlooks again what happens through a survey.</p> <p>Role of regional office: not applicable</p>
Information system	There is an information system and the processes are global
Reporting	Control is done through reports. In general there are reports about vacancies, organizational charts, any new position to be created
Conferences and Visits	<p>As for the HR department, it is audited every 2 years. People come from Dubai and Egypt. There are audits on the reward, on the personnel, and on the talent. For rewards for example, This committee includes the regional head of reward, includes the GM, the Head of area Head of HR, the Head of HR of the Zone, and the area rewards.</p> <p>The formal communication is basically monthly meetings. The GM here is part of the area leadership team. So, the GM has a monthly leadership team meeting, which takes place and gives an update on key projects.</p>
Compliance officer	Auditors who come regularly and check on procedures and guideline implementation

UK2

Organizational culture (code of conduct)	<p>Explanation: The organizational culture follows “Performance driven values led”. The parent company controls the level of integration of employees into the organizational culture through sales performance and people performance. The code is shared internationally. There are yearly briefing sessions where employees are trained on business principles online or through booklets. All employees should sign and acknowledge the code of conduct.</p> <p>Adaptation: In Lebanon there are no different races and ethnicities, it is irrelevant. The code was adapted to include religious and political discrimination. The main ethical challenge is the conflict between values of the company and corruption in its external environment.</p>
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	Role of regional office: Not applicable
Recruitment and selection	<p>Explanation : The main source of recruitment is existing employees. They can transmit vacancies through word of mouth. Other sources include recruitment agencies, Internal posting and job fairs in universities manly LAU and AUB.</p> <p>Adaptation: The process is the same everywhere except that for the MENA region where tests are done to potential hires differently. For senior positions, there is an assessment center that screens candidates. As for lower level positions, it is left to local country.</p> <p>Role of regional office: Egypt interferences in the budget and vacancies but they never interfere in methods of recruitment.</p>
Training and development	<p>Explanation : Training and development is hybrid There is a core program (UK2 mandated program) which is standard. In addition workshops in the MEA region are held. Each year, a number of people are selected to attend. Some employees are sent to train the trainer seminars so that if they are qualified, they could become facilitators. The material is usually standard.</p> <p>Adaptation: Sometimes, local needs arise, they are evaluated and a personnel training program is developed. It has to be approved by line managers. The subsidiary has contracts with training agencies and trainings are conducted either in house or outside the company.</p> <p>Role of regional office: The budget should also be approved. Egypt has to approve on the budget but they don't interfere in the programs.</p>
Performance appraisals	<p>Explanation : Performance appraisal is standard. There are two performance appraisals, one quantitative and one qualitative. The quantitative evaluates the what, to what degree objectives were met. It also evaluates projects and initiatives. Whereas the qualitative, called leadership imperatives, evaluates the behavioural side of the employee. The rating is done using a matrix, it is a standard program done online. There is also the talent review process which is standard. It evaluates managers' performance.</p> <p>Adaptation : none</p> <p>Role of regional office : Not applicable</p>
Compensation and benefits	<p>Explanation: There are standard UK2 benefits like shares and bonus.</p> <p>Adaptation: Compensation and benefits is adapted. It is based on local market. For benefits, they are determined according to local law.</p> <p>Role of regional office: none</p>
Information system	<p>There is a common information system. The employees at the subsidiary communicate on daily basis using e-mails, telephone and teleconferencing.</p>
Reporting	Not applicable
Conferences and Visits	There is a MENA leadership team constituted of different executives from the region, monthly meetings are conducted and regular visits to Lebanon are organized.
Compliance officer	Auditors who visit regularly Lebanon from the MENA region.

CH1

<p>Organizational culture (code of conduct)</p>	<p>Explanation: The code of ethics is common and shared internationally everywhere at CH1. <i>“A CH1 manager has to have a certain personality and culture that is acceptable at CH1. It’s not something that is nuclear science; it’s common sense. It’s clear described in our CH1 Management and Leadership Principles. We should have courage; we should be able to stand and say what we think; we should have respect to each and every individual we deal with regardless of his religion, skin color, ethnic background, gender, or whatever. We always deal with our consumers with respect, and we always deal with other parties with respect. There is no upper hand or lower hand. You know, you could immediately detect an employee whether he is a CH1 person or not. Maybe the first few months you could say that this guy exhibits the behavior that is expected from a CH1 gentleman or not”.</i> The application of the code is strict when it is related to ethics: <i>“If we find out that someone is not ethical (taking a bribe)....And we keep saying that a bribe is a bribe whether it is taking 1dollar or taking 1 million dollars. For us if that has been proven (that you have taken using your position at CH1 to get access to something that is not legally yours like money, gifts, or whatever) you are terminated. There is no question about it. There is no black and white in this; there is no grey area. It is only black or white here. And we’ve taken many steps. We had several cases when we asked people to leave the company because they didn’t abide by this”</i></p> <p>Adaptation: The Lebanese subsidiary had to be somehow stricter in one part of the Code of Conduct to be a little bit more fair to the company in a place like Lebanon. In the Code of Conduct it is clearly stated that no CH1 employee should take any bribe, of course, money, or even accept any gift. That is common in Lebanon. Beyond a certain amount, the Lebanese subsidiary has decided that this amount in Lebanon should not exceed 50\$ because anything beyond 50\$ is no longer a corporate gift; it’s no longer something similar. It’s a bribe. The code of conduct also allows employment of a relative if the qualification required is available with this person, provided there is no conflict of interest, and this person does not report to his relative. In Lebanon people are closely related in this part of the world (in the Middle East and Africa as well). People have more tribal feelings, and they have a tendency to bring people that are related to them into the organization. The Lebanese subsidiary elected and spoke to Switzerland and said that this allowance is not to apply in the Middle East, and that still restrict the employment of relatives. However, since it is an international document (the code of conduct), the subsidiary has chosen to be little bit more strict in this application in this part of the world given the specificities of this world: <i>“We cannot cheat. This is an international document. We have chosen to be little bit more strict in this application in this part of the world; given the specificities of this world”</i></p>
<p>Recruitment and selection</p>	<p>Explanation : Since CH1 Lebanon is one of the very few multinational companies, many unsolicited applications are received. People just come and deposit their CVs or e-mail the CVs. CVs are filed in a database. Recently an e-recruitment site was launched people are encouraged to go to this website (www.CH1.com) click into Middle East, browse for vacancies and apply to these vacancies by putting their profile and their application. This is a more advanced tool to somehow screen the applications. Sometimes, when there is a recruiting agencies or an executive search company are used as sources if a special or rare position is required. Job fairs at top universities are used as sources of candidates. A program called the Graduate Development Program was initiated recently whereby an advertisement was sent to universities asking fresh graduates to apply online to this program in Lebanon. Students go through a certain aptitude test and a language test which will narrow down the pool of applicants. Then, a group of specialists would come for 2days to do further interviews and, eventually, select two not for Lebanon, but to be sent as graduates to become management associates. Through a 2 year program they could eventually become one day CH1 managers. The graduate development program is designed in Dubai but it is implemented in Lebanon. The headquarter doesn’t interfere at the operational level. As for recruitment of senior managers, it should take the approval of Dubai because the recruit might report to someone not necessarily in Lebanon. The HR director in Dubai has to know about these recruitment decisions and sometimes should validate the choice of candidate.</p> <p>Adaptation: Recruitment methods in CH1 are not the same everywhere. Certain specific tools are utilized after being approved by CH1. <i>“We have not created something special for Lebanon, but the methods of CH1 are not exactly same (universal). We tend to utilize certain specific tools that are approved by CH1 One of them is the</i></p>

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	<p><i>targeted selection of DDI (the Development Dimensions International). It's one of CHI's major consultants that are utilized around the world". However, The DDI method or targeted selection is not utilized in each and every location or in every recruitment that is handled by CH1. Recruitment is adapted; however, there are certain parameters and guidelines that are very common across the world of CH1. For Lebanon, the major adaptation or innovation is the participation in job fairs of top universities. Mr.Semaan concluded that recruitment "is adapted; however, there are certain parameters and guidelines that are very common across the world of CH1".</i></p> <p>Role of regional office: The regional office in Dubai might interfere when there is a recruitment of senior managers: <i>"If I want to recruit an HR manager here, my HR director will have to know about it and will have, probably, to validate my choice. Sometimes he doesn't and tells me, "Go ahead"; sometimes he says, "Yes". At a certain level we do send this person to an independent assessment center, and he goes through one day full test UK1teries that we generate from it a report that will help us more to get a clearer view on the potential of this person and makes us get an additional tool to make our judgment".</i></p>
<p>Training and development</p>	<p>Explanation : At CH1, there are international training programs. This is where there is an International Training Center .It's the CH1 University whereby employees go through various training. CH1 also offers international training programs with partners like IMD for instance.</p> <p>CH1 Middle East is composed of 13 markets, and every year a certain number of people go to the CH1 university, IMD and other international programs. London Business School is also one of them. All courses are on the SAB system, and all employees have access to it. Every employee during his appraisal with his boss, will be recommended a training course based on the areas where he needs to be developed. Sometimes the employee himself can approach his manager and say that he wants to attend this course, so he goes and register himself on the SAB system. If he gets approval, he gets the validity and can block his seat. Actually, training and development is a part and duty of the individual himself supported by demand. A complete system is available, and no one can claim that he didn't get to have training.</p> <p>Concerning managers' career development, any manager to become at a certain level has to have mobility at CH1. If a manager doesn't have mobility, he will be restricted. There is something called Pool of Talents. Every market will identify the pool of talent that they have. This is based on certain criteria from `the sustained contribution that this person has been able to deliver, results, and attitude. CH1's performance management system measures the quantifiable and the behavioral. These are highlighted through certain competencies related to leadership, the impact in convincing others, innovation and renovation, and so on and so forth. And once the star starts appearing (that this person has been consistently developing) he becomes a part of this pool of talents. There is a market pool of talent, zone pool of talent, and a worldwide pool of talent. It depends on which level the manager has reached, and how much visibility he has obtained. Then, the zone will come and say to CH1 Middle East," We need a talent from you to take him to Malaysia because now we have a vacancy in Malaysia, and we'd like to consider someone from Middle East." Or they will come to Lebanon and say," We are having now someone from CH1 Japan, and we want him to have an exposure in CH1 Middle East." This is where the network of the pool will be observed from the centralized headquarters in Vevey and would direct the relation to the zone heads. (role of headquarter)</p> <p>Adaptations: On the local scale, there is the training manual. Every year, a committee decides what are the key competencies that should be develop in the staff, and a sort of a curriculum is formed and then the location is decided. Courses could be conducted in Dubai, Kuwait, Bahrain, Lebanon, or Jordan.</p> <p>Role of regional office: At the head office, in Dubai, each and every division will recommend its people for training. A certain budget should be utilized to development. Priorities are set and employees designated to participate in the training program are nominated accordingly.</p>
<p>Performance appraisals</p>	<p>Explanation: Employees are evaluated through the performance management system. Although performance management should be somehow linked to the reward, biasness is minimized. However, the reward is based on the sustained contribution which is not just the performance on "how", but how consistently the employee has</p>

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	<p>been, and how he has developed. The system is always updated: <i>“Wherever we are steering the organization, the competencies, somehow, sometimes change slightly to highlight certain specific area that we want focus on; then we keep updating the system. It used to be numerical; now, it’s descriptive. We are going to a rateless system. For the blue collar is till 1,2,3,4 &5”</i></p> <p>Adaptation: The performance appraisal system is not standard everywhere in CH1. Each zone, sometimes, has its own system. A new system is being developed to be utilized at a certain level of managers across the board the same.</p> <p>Role of regional office: Not applicable</p>
<p>Compensation and benefits</p>	<p>Explanation : Not applicable</p> <p>Adaptation : CH1 definitely abides by the local law that it will never pay anything below the minimum salary that is mandated by the government. There is an international grading structure that CH1 is utilizing which is related to the major consultants that are utilized. However, the salary structure in each and every country depends on the salary market of this country. As for benefits, there are certain benefits that are adapted like insurance. Schooling is not given everywhere; car is not given everywhere. For instance, in Egypt or in Syria cars are extremely expensive. People cannot afford to buy a car. If the employee’s job requires the ownership of a car, CH1 provides him with the car because with his salary he cannot buy a car and thus cannot do his job.</p> <p>Role of regional office: Not applicable</p>
<p>Information system</p>	<p>A website for recruitment and training. A website for best practices</p>
<p>Reporting</p>	<p>There are key performance indicators set and reports are to be delivered on weekly basis and monthly basis to the head office. In addition, there are audit tools used to control the subsidiary. As for the HR department, it is controlled through KPIs and monthly operational targets to be met. For instance, how much recruitment should be achieved, what are the levels of salary that should be adjusted and how many payrolls should be run in the Levant region are common questions to answer. In addition, there is a monthly operational report that goes to the HR manager in Dubai, with whom regular meetings are conducted to align goals and objectives.</p> <p>Another control tool is the day-today activity that should be reported. There is a constant flow of communication like. For example, a few months ago, one of CH1’s buses in Syria went into an accident, and one person was severely injured. This simple matter has to be reported, recorded into work injury, and get intimidated.</p>
<p>Conferences and Visits</p>	<p>Every year conferences are held in Dubai and in Switzerland. The top management gives the middle managers at the subsidiary an update of what should be achieved, directions, objectives and priorities. Then, these guidelines are cascaded down. For instance, the team of Lebanon, when they go to Dubai or wherever these conferences happen, they understand what are their priorities and directions, and they come and do another session in Lebanon to cascade further to the whole organization, so that people would steer in the right direction</p>
<p>Compliance officer</p>	<p>There are three levels of auditors that come to visit the subsidiary. <i>“We have several programs that we need to be compliant with. There is one called “care program”. “Care” is practices on health safety environment, employee relation, and business integrity. These are... Sometimes they send independent bodies. They will go audit to see if level of compliance of different operations, and they report directly to Switzerland. So SGS or Bureau VERITAS or Intertac.these are the 3 approved consultant</i></p>

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that have the “Care” program that come and visit us and say, “Ok, I want to see your practices in terms of labor relations. Are you making your employees work beyond the maximum allowed by law? Meaning that are you giving them rest every 6 days? Are you allowing them to work more than 12 hours a day in extreme situation where the overtime is exceeding 4 hours (the working hours from 8 to 5)? They will start looking to our files and our attendance system. Are we paying them adequately? Are they receiving their pay slips, are you deducting their taxes correctly. And they will audit us... Is health and safety also perceived well? Do you have signs clearly indicating where the exit is? Are the fire extinguishers? Did you provide training on..?”

Important note about CH1 practices: *“It’s always a hybrid. You cannot say that I’m taking all the internationally provided tools and use them completely as they are here. And this is quite understandable in the world of CH1 that you do. You think Global, but you act local. This is how we say. I’m not at the liberty to go and mandate even if Jordan is under my jurisdiction. As the HR manager for the Levant cluster, I would not go and tell Jordan, “Oh, you have to pay this person that much.” If Jordan says that this is the level, and they have to pay according to the salary market; this is how much they have to pay. I can’t go and tell Jordan that they have to give this person 21 days if the local law there says it’s 30 days end of service gratuity. We have to adapt to these by things that are local. So CH1 has first stated that this is the minimum requirements which we acquire whatever it’s local. Anything beyond and according to the CH1 programs and CH1 policies we adapt it”*

CH2

<p>Organizational culture (code of conduct)</p>	<p>Explanation: The code of conduct is shared internationally. Employees have to read it and sign it. However, most of the things that are mentioned in the code of conduct are mentioned in the induction of each employee. The induction of employees is not really focused on the code of conduct, but some key issues are mentioned there. The parent company makes sure that employees understand and live by the corporate culture through training programs. There is also another training program that focuses on standards which must be well-understood by employees.</p> <p>Adaptation: It is issued by the head office but it’s adapted to the subsidiary <i>“The OSM says that they prefer not to employ relatives. When I became H.R manager I found it totally against my principles. If I’m an employee in CH2 and I love CH2 I should be its first ambassador and I should be able to refer people and to attract people. So that was one of the policies I amended and I defended my position. So an employee should be able to refer a relative as long as they don’t work in the same department. And I’m applying it now”</i>.</p>
<p>Recruitment and selection</p>	<p>Explanation: The recruitment process at CH2 is standard. For managerial positions, there is a CH2 related website called Horisso where all managerial openings are posted in addition to posting on the intranet (standard source).</p> <p>Adaptation: Sources are not standard across CH2 subsidiaries. However, the tools and the processes of recruitment like interviewing and testing are standard. The main sources used for recruitment are universities. CH2 Lebanon has a good networking with top universities in Lebanon. It maintains good relations with university deans and student affairs offices. CH2 also participates in job fairs held at universities. Another alternative is placing ads in newspapers for non-managerial and non-supervisory positions.</p> <p>Regional office: The regional office doesn’t interfere in the process. They just provide the subsidiary with tools needed.</p>
<p>Training and development</p>	<p>Explanation: There is the standard training in addition to training programs conceived locally according to subsidiary’s training needs. The training programs and budgets are decided by the subsidiary and then should be approved by the regional office. If the course is new, the training manager trains the</p>

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	<p>trainer on that course and then the trainer can deliver the program at the hotel. Concerning managers, CH2 has its own a corporate university called MBA (CH2 Business Academy) where by managers get training courses according to their positions. The higher the position, the higher the level of training courses managers will get.</p> <p>Adaptation: programs and courses are adapted to local needs. <i>“Training is standard but it is adapted to the Lebanese subsidiary and to all other subsidiaries. We have the standard training that you have to have plus you have your analysis to recognize training needs so that you have your own trainings accordingly”.</i></p> <p>Regional office: Programs are not set by the regional office and are conceived and implemented fully by the subsidiary after approval of the regional office. The regional office usually encourages the subsidiary to develop new training programs. If the training plan is well justified in terms of content, aim and budget, the regional office never refuses it or opposes it. <i>“We decide on the budget, concerning training and everything related to H.R, I decide for my department but like I said before it has to be approved, both internally and the regional office has to approve it. It’s us who decide. Those programs which are not standard it’s us who decide, but of course we have to keep them (the regional office) in the picture that this is our plan, we have to provide them with the training plan”</i></p>
Performance appraisals	<p>Explanation: Performance appraisals are developed at the parent company. A standard scheme is adopted. The employee appraises himself first and then he’d sit with his supervisor or manager and they discuss it. Then they’d agree on the plan for the following year and it’s then signed by both. It is sent for HR for monitoring. The role of the HR department is to monitor the performance appraisal process. For every person, his rating is recorded and a tracking shift for the performance appraisal is kept in records to decide which type of training the employee needs.</p> <p>Depending on the position and the function of the person, a specific training program is conceived. So in brief this is the outcome of performance appraisals.</p> <p>Adaptation: Forms come in English and Arabic for countries of the Middle East.</p> <p>Role of regional office: Not applicable</p>
Compensation and benefits	<p>Explanation: Not applicable</p> <p>Adaptation: Compensation and benefits are set according to local laws and market. By law, the subsidiary should provide employees with social security and insurance. Packages change for expatriates and they are adapted to the standards of living.</p> <p>Role of regional office: Not applicable</p>
Information system	<p>The subsidiary communicates with the parent company through the intranet system through which the subsidiary can be updated on daily basis through messages sent by the headquarters in Switzerland. The communication is more frequent with the regional office located in Dubai which serves as a link between the Lebanese subsidiary and the head office. However, in some cases, the subsidiary could communicate directly with the parent company without passing through the regional office.</p>
Reporting	<p>The subsidiary presents monthly reports to the regional office. The main control tools used to control the subsidiary are the information system and the reporting.</p>
Conferences and Visits	<p>Once a year, a conference is held in the regional office. As for the level of formality in communicating, Mrs.Hayek assured that the regional and the headquarters are very supportive, very flexible and very accessible.</p>
Compliance officer	<p>Once a year, an auditor from the regional office visits the subsidiary to make sure that the subsidiary is compliant. In the case of human resource department, it is the regional director of HR who audits the HR department of the Lebanese subsidiary.</p>

Important note about CH2 practices: *“we had to amend certain forms, like contracts, etc...Another thing is why I said earlier that the OSM is more of a guideline. CH2 has a common guide for human resource management called the Operating Standard Manual which is general to all CH2s. It includes the policies related to H.R in addition to forms (performance appraisal), and procedures (training). The HR Manager assured that it was decided in the last conference held that these guidelines should not be followed strictly. There is a certain degree of freedom left to the subsidiary.*