Exploring Management and Employees’ Perspective of HRM Practices in Saudi Arabia MNC Hotels

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Abstract—This study explores the application of human resource management (HRM) practices used in Multinational corporation (MNC) hotels in Saudi Arabia. It also considers which HRM practices used in Saudi hotel corporations are more preferred by employees and management consider assist their staff in better undertaking their jobs. Currently, there is a scarcity of research examining the HRM practices in the Saudi context. Further, this is the first study investigating these issues within the Saudi hotel setting. Interviews and questionnaires were conducted in the four Saudi cities of Makkah, Jeddah, Al Madinah and Riyadh. The results suggest that, despite the challenges facing the application of HRM practices in Saudi Arabia, the status of practices used in the hotel sector are more appropriately implemented than in other sectors, and were similar to those practices used in the international context. The results showed that there is no fixed list of HRM practices used in the Saudi hotel sector. However, those practices most preferred by managers and employees are job planning, performance evaluation, training, salary and wages, and recruitment.

Keywords—international HRM, HRM practices; and HRM in Saudi Arabia.

I. INTRODUCTION

HRM is becoming a critical component in the development process of many developing countries [10], [12], [20]. Human resources in many Middle Eastern countries, including Saudi Arabia, tend to have: low salary levels, with no common standards for effective performance; very weak recruitment and selection systems; an absence of reward for hard work; underemployment; and a lack of stimulating assignments [20], [34]. While Saudi Arabia is considered the world’s leading exporter of petroleum, and is one of the richest nations in the Middle East, with significant influence in terms of policy and economy. According to [1], there are a number of human resource development (HRD) programs challenges and problems are faced by the Saudi Government. These challenges include: a high dependence on expatriate workers; a lack of female participation in employment; a weak association between the educational system outcomes and workplace needs; and a high level of unemployment. Further, strong influence of culture on Saudis’ perception toward work in the private sector in general, and in the hospitality industry in particular; and a significant shortage of skilled and unskilled employees, for both males and females [1].

Despite all these problems, the literature reveals a significant lack of research on HRM and its policies and practices implementation in the Saudi context. Additionally, no research has been conducted in the Saudi hotel sector to examine the application of HRM practices, and the perception of Saudi employees toward those practices. Thus, this research plays an important role in gaining a more in-depth understanding of HRM practices in the Saudi hotel sector. In the next section of this paper, the research problem is defined within the context of existing literature. The areas discussed are international HRM, and HRM in Saudi Arabia.

II. LITERATURE

A. International human resource management practices

The expansion of MNC, worldwide, is an opportunity afforded by globalisation and financial power beyond specific nations, and facilitates an extension of HRM services [23]. Reference [32] have identified that, at the global level, organisations can obtain competitive advantage through the selection and use of effective HRM policies and practices. However, there is some concern about what HRM policies and practices an organisation should use to gain a competitive advantage when they operate internationally [32]. Reference [2] reflected that current research is focusing on identifying the mechanisms through which HRM policies and practices influence organisational performance. For this reason, [22] suggested that, to gain a competitive advantage and to effectively deploy HRM practices, organisations require an understanding of how distinctive combinations of HRM practices are applied.

HRM practices tend to be distinguished by industry. References [33], [24], [16] pointed out that the HR practices utilised by organisations differed significantly according to the industry. Reference [21] emphasised the key importance of the type of sector as the determinant of the HRM practices a company undertakes. For example, [15], [17], [18] postulated that the measurement of HRM practices are not valid if they do not consider the differences in the organisations or the sectors, or how each organisation uses the different practices, which are dependent on their objectives. For instance, are practices which are used in the service industry similar or different to the ones used in the manufacturing industry?

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Further, [12] indicated the importance of finding relevant HRM policies and practices for different types of industries (e.g., public versus private sector, manufacturing versus service sector). For example, [16] observed that many empirical studies have noticed differences in how management perceives HRM practices in public and private organisations. Reference [11] contended that manufacturing organisations are more likely to use hard HRM, whereas service organisations are more likely to adopt soft HRM practices. In a study conducted by [29] examined five HRM practices (planning job, staffing, performance evaluation, training, and compensation), were conducted in both the manufacturing and service industries. He found that four of these practices were statistically significant and used more by service organisation than manufacturing. Furthermore, different practices vary according to the setting. For example, [30] identified a number of best practices in HRM, such as selective hiring, extensive training, employment security, diffusion of information, teamwork, reduction of status differences, and performance-related and incentive pay. Reference [11] identified a variety of practices in their analysis of 104 research articles, where there was no fixed list of human resource practices or systems of practices that defined the construct. Despite this, they compiled a list of 26 practices; the most common practices were: training and development; contingents pay and reward program; performance evaluation, including appraisal; and careful recruitment and selection.

While effective HRM practices have become a critical component in the progress of few Middle Eastern countries in the last few years, its HRM has been criticised in many studies, especially in relation to its effectiveness when it is implemented [10], [13], [21]. Further, [10], [13] found that many developing countries are trapped by outdated and unproductive HRM systems that put unintended barriers in the way of development.

Until recently Saudi Arabia had negligent policies toward HRM practices. According to [25], [13] the Saudi Government has realised that oil will not be produced for ever, and that there is a need for other sectors in the country to improve their position, including the tourism and hospitality sectors and by focusing more on HRD. Until then, Saudi Arabia is restricted by its labour laws, most of which were established in 1969. At that time employers had restrictions on the management of their employees, whether foreigners or Saudis. Therefore, the Saudi Government started to introduce new HR laws in 2000’s to assist the private sector to better manage their work practices. Reference [26] emphasised that these HRM policies and practices were formed by the structure of the economy, the political structure, the labour market, the national HRD strategy, and the national culture.

The role of HRM in Saudi Arabia is, however, still undeveloped. For example, a survey conducted by Fadhel 2007, cited in [1], indicated that out of 52 Saudi companies, only 63.5 per cent of the respondents had a HRM structure, with only 40.4 per cent having a HRD program. Further, some HRM functions, including training and development programs, were implemented by different structures, such as the sales or finance departments, which meant that many of the small and medium enterprises had no professional HRM structures. Additionally, the survey found that 78.8 per cent of the training programs were carried out in the form of on-the-job training by other departments rather than by HR department, and that these were provided by unskilled people. Nevertheless, in recent years, HRM and HRD have begun to gain ground, particularly in large organisations [1].

According to [8] the Saudi human resource systems are facing some major problems, such as a huge increase in unemployment, inequality in wage distribution, inadequate managerial and professional people, inappropriate labour laws, and low linkage between the educational system outcomes and the workplace needs. Supporting this observation, [1] asserts that the labour market is suffering from a significant shortage of skilled and unskilled labour, which has led to strong reliance on foreign workers. Further, he emphasised that cultural issues, such as tradition, religion and values of the Saudi employees, especially women, play a significant role in the general shortage of employees. The female participation in the labour market is still insignificant because of, firstly, limitations in job opportunities that harmonise with the women’s requirements and, secondly, the majority of Saudi families prefer their female family members do not to work in the private sector. Instead, they prefer the women to work in a segregated environment where there is no direct interaction with men.

B. Human resource management in Saudi Context

To understand HRM in the Saudi context, it is important to gain an overview of the HRM and business systems in the Middle East region. According to [2] the term “Middle East” refers to the cultural area which does not have specific borders, namely: Algeria, Bahrain, Iraq, Egypt, Iran, Israel, Jordan, Kuwait, Lebanon, Libya, Saudi Arabia, Syria, Morocco, Oman, Qatar, Tunisia, United Arab Emirates, and Yemen [9]. Today, this region is politically and economically significant, with a combined population of more than 400 million, and extensive natural resources. However, the Middle East is less developed in terms of international and cross-cultural management research [5], [6], [8]. While the region has 65 per cent of the world’s oil, economic growth is recessive, mainly due to structural imbalances, the so-called curse of natural-resource abundance, weak political systems, and constant war and conflict [13].

While international and comparative HRM issues have been discussed and empirically examined in developed countries for decades, this research has concentrated on a limited range of countries and regions, such as Europe and the USA [27], [31]. HRM and its implementations in the Middle East region have been neglected [28]. However, Middle East HRM practices do not differ widely from other developing countries around the world. Similarities exist across the Middle Eastern countries in attitudes towards work and HRM policies and practices. Any significant differences can be explained by a number of factors, including legislation, and law, economic system, political system, and cultural factors.
Moreover, due to the ineffective utilisation of HRM practices there is increased unemployment level. Thus, unemployment is one of the most crucial issues concerning human resource planning in Saudi Arabia, reaching 25 per cent in 2003 and to 30 per cent in 2008 [3]. Additionally, the high dependence on expatriates for several Five-Year National Development Plans has created feelings of discomfort among government officials. These feelings have created contentions and have even led to frustrations among the young graduates who find it difficult to obtain appropriate jobs due to the high rate of unemployment and significant dependence on foreign labourers.

Reference [35] stressed that despite significant effort made by the government in the last ten years to improve HR by replacing foreign workers with Saudis, the private sectors still prefer to keep employing foreigners. The reasons include the negative perceptions that Saudi businessmen and women have toward Saudi citizens workers, the higher cost of their labour, and less productivity being less than the guest workers; the influence of the culture toward certain types of jobs. On the other hand expatriate workers are willingness to adapt to changing demands by employers, and their lower rates of absenteeism. The remainder of this paper will outline the method used for data collection and its analyses, as well as the findings raised from the interviews and questionnaires. Finally, conclusions and implications for theory and practice are considered.

III. Method

To understand this issue, interviews and questionnaires were conducted from MNC hotels in Saudi Arabia. In-depth semi-structured interviews with 6 General Managers (GMs) and 6 Human Resource Directors (HRDs) were conducted; this was followed with a Work Practice Questionnaire (WPQ), where Saudi employees could extend the scope of the coverage and identify the information that could not be obtained by only interviewing the hotel managers. The interviews provided the opportunity for understanding the manager’s perspectives of how employees in the Saudi hotel sector perceive HRM practices, and the application of those practices in the sector. The questions were asked in the interviews are:

**Q1:** What is the most important HRM practices used in your hotel?

**Q2:** Do you use HRM practices as they are provided by your parent company or do you make changes to those them to meet the Saudi context?

The twelve (12) interviewees from 6 multinational hotels were willing to participate in the study. The sample consisted of: 5 Saudis, 2 Jordanians, 1 British, 1 Lebanese, 1 Indonesian, 1 Dutch, and 1 Egyptian. These were considered to be decision-makers within Saudi hotels. The sample was chosen as the GMs and HRDs were more knowledgeable about, and experienced with, the management and HRM practices implemented in their hotels. Importantly, the sample reflected [19] considerations that the selected sample should have the knowledge and experience of information important to the research.

Semi-structured face-to-face interviews were used to ensure that the same topic areas were covered with all participants. However, participants were also encouraged to talk freely about any issue related to HRM policies and practices, and to describe and reflect upon their experiences. The interviews were audio-taped in the participant’s office. No participant’s private details were collected. The participants were assured that they were free to withdraw at any time, without prejudice, and that participation was voluntary. Further, they were informed that the data are confidential and anonymity was guaranteed. The audiotapes were transcribed and content analyses used with transcribed data coded into different themes.

After conducting the interviews and analysing the data, the WPQ of Saudi hotel employees was used to assist in answering the following research question:

**Q3:** Which HRM practices are more preferred in MNC hotels by Saudi employees?

The WPQ was developed by researchers based on human resource practice choices proposed by Schuler and Jackson in 1987, and used by [8], [37]. The WPQ scale represented the most commonly used practices applicable to all organisations, including hotel corporations in Saudi Arabia and consists of five dimensions and 34 items. The dimensions include: planning and the nature of the job (which is the process that organisations use to combine various factors to form a job which considers individual employee requirements); recruitment and selection; performance and evaluation; salary and wages; and training. Each dimension contains between 6 and 9 items. The WPQ is based on a five-point bipolar rating scale. The items present two choices of HRM practice statements, left and right on the scale.

Scores of 1 and 2 on the left indicated a strong agreement, and agreement of the statement/practice, whereas scores of 4 and 5 on the right indicated strong agreement and agreement of the statement/practice. Respondents were required to decide as to which option they preferred. Further, they were informed that there was no right or wrong answer, and that they should indicate their choice by circling the preferred number between the two HRM practice statements. The WPQ was written in both English and Arabic. A total of 325 usable questionnaires (out of 520) were completed by Saudi employees; this response rate of 62 per cent was a good level of response.

IV. Findings

To gain a better understanding of the HRM practices used within the Saudi hotel sector; two questions were asked in the interviews.

**Question 1:** What is the most important HRM practices used in your hotel? This question aimed to investigate the most common HRM practices implemented in Saudi hotels,
and to identify whether these practices were in line with the practices used in the international context. The responses showed that the common HRM practices are training and development, recruitment and selection, planning job, the orientation program, performance evaluation, job description, motivation, salary and wages, empowerment and communication. Eight respondents saw “training as something essential for organisations”. Further, “we have regular training for all employees”. We provide training programs for Saudis to improve their skills”. Other respondents noted that, “We do have off-the-job and on-the-job training”; “Continuous training and development is fundamental for employees”; “In every department we have a trainer to monitor new employees”. In terms of empowerment practice, four managers reported that: “the most important thing in our hotel is giving empowerment to all employees”; “empowerment practice increases loyalty, and gives you feeling that you have power over decisions”. Most managers believed that communication was an important practice, for example, “when you come to practices that have something to do with my team, communication is the key”; moreover, “the number one key is communication and learning”.

Further, interviewees believe that “the most important thing in recruitment and selection is to hire the right people”. Further, “there is a test to determine personality and candidate values”. Additionally, “When we recruit the right person the performance will be quality”. In term of performance evaluation, six respondents reported having “regular evaluations every three, six and nine months”. Sometimes, “the evaluation of the employee is not good he/she has to enter into a training program”, while in other cases “the employee is requested to quit their job”. In terms of salary and wages practices, the responses acknowledged “that the hotel industry is the lowest industry in terms of salary and payment”; that the market is surveyed “to know the employees’ salary of our competitors”; and that “you make sure that you have the right payment scale”.

Question 2: Do you use HRM practices as they are provided by your parent company or do you make changes to these practices to meet the Saudi context?

This question sought to understand how multinational hotels in Saudi Arabia receive HRM policies and practices from their parent companies, and if they are implemented without modification. Further what does hotel management do if the practices do not fit with Saudi context, do they reject them? This information was very important to know deeply whether the practices used in Saudi hotels were identical or have some similarity to those used internationally or whether the Saudi hotel sector develops its own practices. The respondents indicated that some practices were rejected completely because they did not fit within the Saudi context. For example, “having a welcome wine is practiced in some hotels, however, as Saudi Arabia is a Muslim country, the hotels reject this practice as it does not fit with the cultural practices”. Another internationally accepted practice is the “piping of, music at the lobby; this practice is rejected in the Makkah and Al Madinah hotels because it did not fit with these two contexts”. However, music is not prevented in other hotels in Saudi Arabia. Further, “requiring females to staff the front desk is also an international practice that does not exist in the Saudi hotel sector”.

The interviewees consistently responded that “if the practice is consistent with the Saudi culture we accept it, but if not we reject or we modify it”. Additionally, “we make sure the practice is in line with local values”. Further, “it appears that the parent company is informed of the Saudi cultural stipulations, and so the practices are centred on the Saudi context and employees’ satisfaction”. As one interviewee noted, “Here, culturally and religiously, we have to segregate between males and females, so the parent company understands this and allow us to modify some of the practices”. Indeed, the “parent company encourages modification”.

### Table I: Highly Preferred HRM Practices

<table>
<thead>
<tr>
<th>Planning Job Practice</th>
<th>Preference %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tight formal planning of most work issues</td>
<td>66.4</td>
</tr>
<tr>
<td>Recruitment &amp; Selection Practices</td>
<td></td>
</tr>
<tr>
<td>Make the criteria used for selection very clear to all job’s applicants</td>
<td>67.9</td>
</tr>
<tr>
<td>Make performance the top priority for promotions</td>
<td>66.0</td>
</tr>
<tr>
<td>People at work organise social activities</td>
<td>66.0</td>
</tr>
<tr>
<td>Announce job promotions</td>
<td>64.5</td>
</tr>
<tr>
<td>Performance Evaluation Practices</td>
<td></td>
</tr>
<tr>
<td>Create official evaluation systems</td>
<td>62.7</td>
</tr>
<tr>
<td>Salary and Wages Practices</td>
<td></td>
</tr>
<tr>
<td>Encourage employees to be shareholders</td>
<td>62.7</td>
</tr>
<tr>
<td>Pay increases mainly by the individual performance</td>
<td>63.5</td>
</tr>
<tr>
<td>Training Practices</td>
<td></td>
</tr>
<tr>
<td>Provide continuous training opportunities</td>
<td>72.2</td>
</tr>
</tbody>
</table>

Note: A score of 3 in the WPIQ was removed from the calculation of the percentage in this table due to it indicates that respondents had neutral feeling toward the two choices in each item, and does not shows the employee preference of the practice.

The responses showed that some HRM practices were more preferred by employees than others. Table I above presents the highly preferred statements or practices in each dimension. The Planning Job Practice shows that most Saudi hotel sector employees preferred (highly) tight formal planning, and the designing of jobs where they have a lot of contact with other people. Further, they prefer short-term planning to long-term planning. The results on the Recruitment and Selection Practice emphasised that most employees had a high preference for on making the criteria
used for selection very clear to all job applicants. Further, they preferred sophisticated selection tools for jobs, and preferred to make performance and competence the top priority for important promotions, rather than making loyalty and seniority the top priority. In addition, creating a climate in which people at work organise a variety of social activities scored highly preferred rather than treating work and social activities in the company as separate matters. Finally, most employees preferred that employee promotions be announced or published, officially, rather than their being kept a private issue.

In terms of Performance and Evaluation Practice, most employees preferred the creation of official evaluation systems in which forms are always filled out and processed. Furthermore, they preferred that employee performance be evaluated by his/her supervisor and not by subordinates or peers. The Salary and Wages Practice results revealed that employees preferred that the overall wage be primarily determined by market rates, and not by a comparison to similar jobs. Additionally, the employees preferred that their pay increases be determined mainly by the individual’s job performance not by the group performance. The provision of a very strong guarantee for job security, as well as having personal pay levels kept secret, were also preferred. They also revealed a preference for becoming shareholders in the company.

Finally, the Training Practice statements showed that most employees preferred to spend one week, each year, undertaking off-the-job training. Further, they also preferred to have training programs that improved their skills and knowledge of their present job within the firm, and that identified their own training practice needs. In addition, the employees indicated a high preference for continuous training opportunities as matter of policy.

V. CONCLUSION AND LIMITATIONS

Saudi Arabia is one of the largest and richest nations in the Middle East, with significant influence in terms of policy and the economy. However, there are a number of challenges and problems being experienced by the Saudi Government in terms of their HRD programs. One challenge is the move from being a country relying on oil exports to a country dependent on its human resources. This change is occurring, with the government spending billions of dollars, over the last ten years, on higher education, internally and externally. Much of this education includes learning about management and HRD.

Despite this focus on HRD, Saudi Arabia is still in the early stages of developing their HRM policies and practices. Nevertheless, the interview data reveals that the HRM practices used in MNC hotels the Saudi Arabia are more developed in terms of application and implementation than other organisations and sectors. As well, they use similar practices to those used in the international context with some modification in number of them. Further, the interviews confirmed that the practices implemented in Saudi hotel sector as a service provider soft HRM practices and is indistinguishable to those tested by [29]. However, not all practices were similarly preferred by the managers and employees. Instead, different hotels had different preferences, with managers having varied beliefs about which practices assisted their staff in better undertaking their jobs. In addition, the interview data revealed that the common HRM practices used in the Saudi hotel sector were: training and development; recruitment and selection; planning job; the orientation program; performance evaluation; job description; motivation; salary and wages; and empowerment and communication. However, there was no fixed list of HRM practices being used by all the hotels. Nevertheless, there was a consensus among the managers that the five practices assessed in the WPQ were the most used and the best practices to improve the performance of the Saudi employees.

The study by Fadhel [1], mentioned earlier, discussed that some HRM practices (e.g. training and development) were implemented, in a large number of the Saudi organisations by different departments, such as sales or finance, and not by the HRM department. However, it seems that this is not the case in MNC hotels in Saudi Arabia as mentioned by most of the interviewees, where training and development is one of the key factors for hotel success. For example, most of the managers believe that training, appropriate recruitment and selection and performance evaluation are essential for their organisation. In addition, the interviews revealed that multinational hotels in Saudi attempt to implement HRM practices with high levels of standards, which also contradict with the literature.

The study revealed that Saudi hotels are allowed to modify practices received from parent companies to fit their own context. Thus, as mentioned by hotel managers, the practices used by multinational hotel in the Saudi Arabia are similar to those used internationally. Nevertheless, the number of those practices were modified whether slightly or dramatically to fit with the Saudi context. Furthermore, in some cases parent companies build specific practices to be used in Saudi Arabia.

The findings from the second question suggest that there is some confusion among managers between HRM and non-HRM practices. For example, when the researcher enquired whether some HRM practices were rejected by the hotel management, they listed some general management practices instead of specific HRM practices, such as when guests are given Wine welcome drinks and music is played in Makkah and Al Madinah hotels. This indicates that managers are still not fully aware of, and have misconceptions about, which are specific HRM practices and those that are non-HRM practices.

Importantly, the WPQ results indicated that employees most favoured the HRM practices of: training and development, recruitment and selection, performance evaluation, salary and wages, and planning job. Respondents were highly aware of the HRM practices used in their hotel, which confirms the appropriate implementation of those practices in the Saudi hotel sector. In addition, the employees preferred practices that made work strict and formal, improved their skills, and developed their knowledge. This finding is in opposition to the perception obtained by the Saudi
businessmen and women [35]. The questionnaire and interview results also identified that the HRM practices used in religious cities are no different to those used in industrial and commercial cities. For instance, hotels in Makkah and Al Middinah have the same interest in HRM practices used in Jeddah and Riyadh. Furthermore, there was no difference in the HRM practice preferences between the employees working in those cities.

To improve HRM practices utilisation in Saudi organisation in general and hotel sector in particular, the Saudi Government needs to set strict and obligatory HRM legislation and laws for all corporations, either multinational or domestic. In addition, the Government must build their own HRM practices, with consideration of their culture and employees’ satisfaction [4]. This study has added to the knowledge of HRM practices in the hotel sector of Saudi Arabia. Nevertheless, the study has some limitations. Firstly, only one sector was investigated. Secondly, the differences between groups, such as males and females and management levels, were not explored. These issues are highlighted as future research areas, along with an assessment of the influence of Saudi cultural values on employees’ perception of HRM practices. Further, research could also utilise a larger sample and different sectors so that multiple perspectives could be obtained.

REFERENCES


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