International HRM as an enabler in human capital development:

A Saudi Arabian case study

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ABSTRACT

Using the human resource development and international human resource management literature this study examines the effects of international training on the development of human capital in a developing country. A survey of 200 Saudi Arabian students studying internationally found that despite the comparatively generous nature of funding and support while studying, the lack of pre-departure training resulted in less than optimum outcomes as did the uncertainty associate with return from some assignments. Developing human capital using sovereign wealth is a worthwhile objective for any country but planning should understand the imperatives from many decades of research in international human resource management.

KEYWORDS

International HRM; retention; rewards; skills; employee engagement

INTRODUCTION

Despite human resource management and the development of human capital maintaining a key role within economic development, human resources remain a fundamental challenge for most Middle East countries.
This paper explores how Saudi Arabia has sought to improve the quality, mix and practical skills of its human resources with an international education program. Saudi Arabia's modern experiences are similar to those of other Gulf states. The role of human capital in the economic development of countries is examined and how it may be developed internationally through the principles and practices of human resource development. Problematic areas in planning for post repatriation appear to reduce the efficacy of this major educational program.

**Human capital and HRD**

Attraction and retention of employees has become an increasingly significant aspect of contemporary human resource management (HRM) and human resource development (HRD). A review of the literature reveals that two theoretical perspectives provide a framework to analyse the strategic approach linked to the long-term development of an organisation’s human resources. The first is human capital theory, which links investment in the organisation’s key asset, employees, to increased productivity and sustained competitive advantage (Becker, 1964; Schultz 1959; Subramaniam & Youndt, 2005). The strategic aspect is the long-term enhancement of the firm’s resource base by linking employee skill development with retention through training and development, career management and progression (Garavan, Morley, Gunnigle & Collins, 2001). This is also consistent with the second theoretical perspective, the resource-based view of the firm (RBV) (Penrose, 1959), where the focus is on an organisation retaining and developing these human resources where they become valuable, rare and difficult to imitate, further enhancing the organisations competitive advantage (Barney, 1991; Garavan et al., 2001; Sherman, 2007; Walton, 1999). Building on these two perspectives, many scholars have adopted these theoretical approaches in interpreting the essential elements in building organisational competitiveness (Boxall & Steeveld, 1999; Boxall & Purcell, 2011; Delery & Shaw, 2001; Garavan et al., 2001; Wright, Dunford, & Snell, 2001).

Within the resource-based view of the firm there are three types of resources that act as sources of competitive advantage: physical capital, organisational capital and human capital (Barney & Wright,
1998). However, increasing levels of technological sophistication and the immediate transfer of information have diminished the competitive advantage that was once available through the first two resource bases. Products are now more readily copied and processes replicated so differentiation is increasingly focused on the human resources that generate new ideas (knowledge) or with those who deliver the product (service). There is increasing recognition therefore of the potential of the latter of the three resources, human capital, to make a substantial and lasting impact on sustainable competitive advantage (Barney & Wright, 1998; Wright et al., 2005). This is supported by Cappelli and Crocker-Hefter (1996) and Coff (1997) who argue that it is these human resources that are at the core of a firm’s unique strategic advantage.

In line with the RBV perspective, the approach developed by Hamel and Prahalad (1993) and Leonard (1992, 1998) argues that long-term investment in core competencies provides sustained advantage over time as contemporary competencies become baseline capabilities. Both Hamel and Prahalad (1993) and Leonard (1992) highlight that in response to a shift to a knowledge-based economy, attraction, retention and, increasingly, the development of human resources are the key to the long-term renewal of the organisation. These points are supported by Boxall and Purcell (2011:175), who argue that firms need to attract and nurture people who have the competencies and ability that will make the organisation productive. Given this there should be observable evidence of this approach in the human resource policies and practices developed to focus on attracting, retaining and developing employees.

This strategic focus on the management and development of human resources can be linked to the deliberate promotion of human resource development strategies as a catalyst for attraction and retention of key human resources. This has led to increased focus on HRD as a platform for building competitiveness. The management of learning and knowledge within organisations in a more complex and competitive environment reflects a significant strategic role for HRD in the creation of competitive advantage or competitiveness; a theme which is increasingly reflected in the literature (De Cieri & Fenwick, 2006; Garavan et al., 2001; Walton, 1999). As such, the field of HRD is identified as an increasing critical aspect
of strategic human resource management (Homan & Macpherson, 2005; Prince & Stewart, 2002). In a
dynamic environment, this means that the organisations must commit resources to strategically develop a
diverse and adaptive approach, to ensure that each area within the organisation has access to appropriate
levels of training and development to meet diverse organisational objectives.

Human capital theory is generally agreed to be one of the critical causes of economic development
because “training is an integral part of the economic system, whether we refer to it as being part of the
organizational microsystem or national macrosystem” (Zidan, 2001: 438). Generally the macrosystem
operates within a national boundary or governments providing incentives for firms to invest in training
and development whether nationally or internationally (for an Australian example see the Review of the
National Innovation System, 2008). The context in which global HRD is considered is typically that of
multinational corporations, and particularly their headquarters (De Cieri & Fenwick, 2006) which means
that the HRD component is, of necessity, globalised. Countries such as China and Chile provide examples
where “HRD has been a key part of the national strategy to foster sustainable economic development”
(Marquardt, 2003: 75). Also, in India, now one of the world’s largest emerging economies, the
“liberalization of the economy, and the extra competition from overseas firms, has put a lot of pressure on
the personnel function of Indian domestic companies to prepare and develop their human resources”
(Budhwar & Baruch, 2003: 701).

**IHRM as an enabler**

Much of the earlier research with regard to HRD for an MNE’s global workforce placed emphasis on the
development of Parent Country Nationals (PCN) managers through expatriate assignments, and their pre-
departure preparation aimed at facilitating expatriate acculturation through activities such as cross-cultural
and language training (Mendenhall & Oddou, 1986; Selmer, 2001; Tung, 1981; Zakaria, 2000). The
duration of pre-departure training may vary from one day to several years, depending on organizational
factors, assignment type, and individual requirements (Mendenhall, Punnett & Ricks, 1995). In particular,
cross-cultural training has been advocated as important in developing effective interactions with Home
Country Nationals (HCNs).

With respect to repatriate employees, MNE goals are generally to return and retain an employee at the end of an expatriate assignment who is able to contribute knowledge, experience and networks gained overseas (Forster, 1994). Despite such goals, there is evidence which suggests that, in many MNEs, insufficient attention is paid to this phase of the expatriation process (Dowling, Festing & Engle, 2008). In their review of expatriate management issues, De Cieri, McIaughey and Dowling (2002) noted a number of repatriation problems identified in the literature. Particular difficulties may arise if career aspirations are not realised upon return. Repatriates have reported frustration when placed in a 'holding pattern' without a clear assignment or set of responsibilities. This may be combined with frustration based on an inability to use new skills and experience gained through an expatriate assignment. Additional potential problems for repatriates include: loss of autonomy, restriction of career path, lower prestige and status of repatriate assignments, and removal from the mainstream of corporate advancement while an expatriate.

Poor repatriation management may cause difficulties beyond the employee in question. Potential expatriates within the MNE may observe repatriation difficulties, conclude that expatriation is detrimental to one's career and decline expatriate assignments (Dowling, et al., 2008). In turn, the MNE may encounter difficulty finding suitably qualified candidates for expatriation leading to less qualified candidates sent on expatriate assignments (Black & Gregersen, 1992), with long-term consequences for international operations and global HRD.

International assignments have long been promoted as an HRD tool. However, while there is some evidence that international experience appears to facilitate cross-cultural adjustment in subsequent expatriate assignments, there has been very little empirical research into the nature and extent of development occurring through an international assignment, or even whether or not it occurs at all. (De Cieri & Fenwick 2006). Although it is difficult to place students within Briscoe, Schuler and Tarique’s (2012, pp. 210-212) list of international employees, they surely fit into their broad learning-driven
category. Using this, the research question would exclude those expatriates in Saudi Arabia in manual and low status jobs.

**RQ: Is Saudi Arabia maximizing outcomes from its internationally trained human resource talent?**

**METHOD**

*Case study – Saudi Arabia*

The Kingdom of Saudi Arabia is located in south-west Asia on a widespread desert-based area of the Arabian Peninsula. As per the 2007 census, the total population of Saudi Arabia was 28 million occupying nearly 2,149,690 square kilometres of land. In 2004 Alsahlawi and Gardner claimed that “the Saudi educational system needs to provide the economy with an adequate base of trained professionals in order for it to become competitive globally” (p. 182). According to a report published by the World Bank in 2007, public expenditure on education in Saudi Arabia is about 7.9 per cent of GDP or about 28 per cent of total government expenditure (Ministry of Interior Website, 2010). In 2004, the Ministry of Higher Education (MOHE) developed a 10-year action plan (2004 to 2014) to improve the curriculum of primary and secondary education, prepare undergraduate and graduate students to compete internationally, develop the educational system for students of special needs, and to improve facilities to offer technical education to girls. This followed the creation of the Human Resources Development Fund in 2000 whose main object was to provide financial support for training the nationals (Saudis) and employing them in the private sector (Achoui, 2009).

However, the majority of the employees in the private sector are expatriates who represent 88.4 per cent despite the 2006 “Saudization” program that had a target of 70 per cent Saudi nationals in the private sector by 2010 and 80 per cent by 2012 (Al sarhani, 2010). The carrot for achieving “Saudization” was government contracts. The private sector in Saudi Arabia prefers to employ expatriates to nationals (Saudis) because of many factors such as the high cost of Saudi labour; negative social and cultural perceptions and attitudes towards manual and low status jobs; the discipline of expatriates compared with
Saudis; job contract to expatriates compared with job tenure to Saudis, the level of Saudis’ English language and technical skills; and the reluctance of Saudis to change job locations (Ramadi, 2005). Most Saudis still prefer to work in government sectors such as ministries of education and health in addition to oil related industries. This preference is due to stability, prestige, and high salaries in these sectors. All of the respondents in this survey would expect to be in these types of employment.

In 2005 the Saudi King Abdullah initiated a government scholarship program called the “King Abdullah Foreign Scholarship Program”. The primary objective of the program was to identify young and gifted Saudi students from various local institutions in order to send them abroad for undergraduate and post graduate quality education (MOHE, 2010). The intention being that they will contribute to the continuous development of Saudi Arabia by filling up positions for skilled professionals within the country. The funding provides for teaching and livelihood operating costs usually up to four years through international education in bachelor’s and master’s degrees as well as doctorates and medical fellowships. By 2010 there were about ninety thousand students beyond Saudi Arabia’s boarders under the King Abdullah Foreign Scholarship Program (Alhomayed 2010) and by 2012 the scholarship program had about 130,000 young people studying around the world with about 66,000 studying in the USA (Wall Street Journal 2012). The scholarship provides ample financial support to candidates traveling abroad including a monthly stipend, complete tuition and all related fees, costs of attending conferences, workshops, expenses for scientific trips, allowances for books and clothes, financial support for spouse, dependants and medical insurances.

The combination of a small population, manpower shortages and the scarcity of trained labour meant that Saudi Arabia could afford to, and did, import most of the skilled and unskilled manpower needed for the development of various sectors of the economy. In this it was no different to other members of the Gulf Cooperative Council which led to the situation where the development of human capital is mainly seen as a concern of the government (Achoui, 2009). The shortage of skilled and unskilled native manpower remains of great concern to many in Saudi Arabia and has been for some time (Achoui, 2009; Al-Qahtani,
1998) with the chronic scarcity of human resources, both skilled and unskilled, regarded as the most
important (El-Kuwaiz, 1987).

Sample and Procedure

The data reported in this paper were drawn from responses to a 2011 survey of international students from
Saudi Arabia. Questionnaires were distributed to a random selection of existing email addresses for
registered students on the Saudi Arabian Ministry of Higher Education (MOHE) website. The survey was
an anonymous opt-in survey and limited to the first 200 responses due to the time limitations of the
research of the student co-author.

The 200 returned surveys were from students in the USA (37.5 per cent), the UK (28.5 per cent), Australia
(12.5 per cent), Canada (10 per cent), and others countries (11.5 per cent, representing a further 20
countries). This compares with new student distribution over the previous three years of 47.5 per cent,
20.0 per cent, 14.6 per cent, 8.0 per cent, and 9.9 per cent respectively (MOHE, 2011). Considering the
growth of Australia and the UK and the reduction of the USA as destinations in 2009 the sample
adequately reflects the country dispersion of Saudi Arabian students around the world. Gender balance
was slightly problematic with the survey having 71 per cent male responders while the Ministry of Higher
Education (2011) indicates that in the three years prior to the survey male students represented 82.2 per
cent of new overseas enrolments. This is a concern in the interpretation of these results.

Methods of Analysis

As this was an exploratory survey with strictly time-limited data gathering it was limited to demographic
information and closed answer questions concerning pre-departure training (Have you previously attended
an English course? Have you previously attended any cross-cultural awareness programs?), support while
on assignment (Are you satisfied with your benefit package? Are you entitled to any other benefits besides
your salary?), and the repatriation process (Do you feel that there is a clear repatriation process plan when
returning back home after finishing the study? Were all issues and matters of job and career addressed pre
departure?). Analysis is therefore limited to reporting proportional responses and looking for difference in the response pattern using chi-squared analysis.

RESULTS

Table 1 shows the overall main responses from the 200 students (the response profile). Although 12 per cent of respondents were graduates there was no difference in the response profile to the questions on pre-departure training, support while on assignment and repatriation process to that of current students \( \chi^2 = 3.44, \text{df} = 5, \text{NS} \). Although the results predominantly represent attitudes and experiences prior to, and while on, assignment, the 12 per cent post-assignment responses are indicative that for at least some early returnees the same concerns remain.

Table 1. About here

The response profile from students who were in the King Abdullah scholarship program (85 per cent) did not differ from the 15 per cent of students granted scholarships through the private sector \( \chi^2 = 1.77, \text{df} = 5, \text{NS} \). Even though these later students returned to guaranteed employment in their old jobs or promotion, they still demonstrated a low positive response rate to the Repatriation process questions (See Table 1, “Do you feel that there is a clear repatriation process plan…”;”Were all issues and matters…”) of 11.5 per cent and 3.8 per cent respectively, not significantly different from the perception of those students with a high risk of delay in getting jobs or being employed on salaries lower than their stay-at-home compatriots \( \chi^2 = 0.14, \text{df} = 1, \text{NS}; \chi^2 = 0.22, \text{df} = 1, \text{NS} \) respectively. Although as expected when “Promotion” was the response to Reason for Applying (see Table 2) there was a 30.8 per cent response from private sector students and 23.4 per cent from others it was not significantly different \( \chi^2 = 0.22, \text{df} = 1, \text{NS} \). Interestingly, only 7.7 per cent of students from the private sector choose “Better Job” as the first reason for pursuing higher education compared to 23.4 per cent for other students \( \chi^2 = 3.30, \text{df} = 1, p = .069 \).

Table 2. About here
Nor was there a significant difference in response profiles to the questions in Table 1 between bachelor, master or doctorate students ($\chi^2 = 6.28$, df = 10, NS). However, when asked the reason for applying for the scholarship program the reasons differed significantly ($\chi^2 = 23.9$, df = 8, $p = .002$) depending on the level of tertiary education the student was attempting (see Table 2). Half of the master students were concerned with a better job and promotion as a first reason while almost a quarter of doctoral students chose improving knowledge as a first reason. This latter reason was less than for bachelor students but more than for master students.

Even with the 53 students who did not get their first choice of country there was no difference in overall response profile ($\chi^2 = 1.72$, df = 5, NS). The major change between first choice and actual destination were the USA from 50 to 38 per cent, Australia from 6.5 to 12.5 per cent and the UK from 23 to 28 per cent. There was, however a significant difference ($\chi^2 = 9.67$, df = 4, $p = .042$) in responses when students in destination countries responded to the question of being satisfied with their salary/benefit package (Table 3).

**Table 3. About here**

In terms of individually identified countries less than two per cent of students in the UK received additional benefits compared with 25 per cent of students in Canada reflecting the significant influence of the additional benefits ($\chi^2 = 50.07$, df = 1, $p < .001$) on level of satisfaction.

**DISCUSSION**

The importance of pre-departure training for international assignments has a strong theoretical and empirical basis. However, only about one in ten of the surveyed students received any language training in their home country outside the basic lessons they studied through high school or their undergraduate degree or any cross cultural training except perhaps that picked up from their working experience predominantly in service industries in Saudi Arabia. The experience of two of the authors of this paper shows that a significant proportion of Saudi students require long term (varying up to two years) language
courses in the host country preparatory to starting their masters degree. This can mean that any positive cohort effect may be ameliorated by the cohort being broken up on arrival. In a normal international assignment this would most certainly spell disaster for the parent-country national (student). A review and improvement of language skills necessary for course entry may improve cohort cohesiveness and support. However, irrespective of how the cohort begins the host country sends the vast majority of students home with an internationalised education which helps meet the Saudi government’s requirements to develop human resources, one of the five distinct themes for their vision of Saudi Arabia to 2020 (Achoui, 2009).

The temporising factors are many. Over 90 per cent of students are satisfied with the Ministry of Higher Education’s electronic service, the Saudi Arabian Cultural Mission is extremely supportive of students wishing to attend conferences and other skill building activities and the Saudi Arabian Students Association is extremely active so the students find support in their foreign assignment simply from the number of students in each of the universities and theses issues ameliorate the initial breaking up of the cohort. Lastly, although only 25 per cent of the students were satisfied with their salary/benefits package, in terms of most international student scholarships it is very generous. It is nearly double what, for example, a competitive Australian research postgraduate scholarship is, without considering the travel and dependent benefits. Of interest, is the report from students that the cost of kindergartens, not included in the monthly scholarship salary, is an impost. Adaptation of spouse and children to foreign culture has always been problematic in foreign assignments and family concerns are ranked the number one reason for early returns from foreign assignments in IHRM.

The Saudi government’s move to ‘Saudization’ should provide repatriated students with greater opportunities, despite its limit implementation in the private sector. However, only one in five thought the repatriation process was clear and some students feel the pressure to return before their degrees are completed because of the possibility of losing promotion and job opportunities. This is also complicated by the belief many students hold that particular countries such as the US and the UK offer degrees better preferred by employers while the MOHE is trying to spread the student load across many countries. The
survey sample provided no significant difference between countries either on the basis of type of degree or field of study. The Saudi government specifies the fields of study that students can undertake and implicit in this is that there will be sufficient openings for these students on return. Implicit in this approach is that there will be jobs to match the students gained expertise upon return. Failure to deliver on this implicit promise endangers the ongoing educational program, at least for those returnees without the security of a waiting government position and promotion. Many students express concern about this point and this survey’s focus on existing students is unable to empirically test that belief.

Medical sciences, such as pharmacy, represent almost half of the fields of education of the respondents. With pharmacy typically lasting for four years undergraduate and two years for masters degrees it is doubtful whatever the government can satisfy the tidal wave of medical science repatriates, and without a clear understanding at the beginning of the assignment as to the repatriation process and possibilities of professional employment the problem looms large.

CONCLUSION

The Saudi government is using significant sovereign wealth to change the profile of its native work force and to encourage ‘Saudization’ among government and private sector employers. Despite its direct and indirect control of the economy and education the hegemony of relying on expatriates (nationals can command up to six times the salary of expatriates) remains deeply ingrained even at the skilled and professional level. The current status of human resources development in Saudi Arabia, however, is improving and the King Abdullah scholarship program is a major force towards that development. Whether the country can utilize the newly trained workforce is still debatable. The hard won knowledge and understanding explicit in research on International Human Resource Management has not necessarily been transferred to the process in growing human capital in Saudi Arabia. Appropriately trained man (and woman) power remains a quest for the Ministry of Higher Education while the appropriate use of the training is a whole of country question.
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Table 1. The overall responses for pre-departure training, support while on assignment, and the repatriation process.

<table>
<thead>
<tr>
<th>Response “Yes” (%)</th>
<th>n = 200</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-departure training</strong></td>
<td></td>
</tr>
<tr>
<td>Have you previously attended an English course?</td>
<td>8.0</td>
</tr>
<tr>
<td>Have you previously attended any cross-cultural awareness programs?</td>
<td>11.5</td>
</tr>
<tr>
<td><strong>Support while on assignment</strong></td>
<td></td>
</tr>
<tr>
<td>Are you satisfied with your benefit package?</td>
<td>25.0</td>
</tr>
<tr>
<td>Are you entitled to any other benefits besides your salary?</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Repatriation process</strong></td>
<td></td>
</tr>
<tr>
<td>Do you feel that there is a clear repatriation process plan when returning back home after finishing the study?</td>
<td>11.0</td>
</tr>
<tr>
<td>Were all issues of job and career addressed pre departure?</td>
<td>3.0</td>
</tr>
</tbody>
</table>
Table 2. Reason for applying for scholarship for bachelor, master and doctoral students (totals less than 100 per cent due to rounding errors)

<table>
<thead>
<tr>
<th>Reason for applying</th>
<th>Bachelor degree (%)</th>
<th>Master degree (%)</th>
<th>PhD (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better job</td>
<td>19.6</td>
<td>20.3</td>
<td>29.4</td>
</tr>
<tr>
<td>Improve knowledge</td>
<td>33.9</td>
<td>16.2</td>
<td>23.5</td>
</tr>
<tr>
<td>Promotion</td>
<td>21.4</td>
<td>29.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Seek a degree</td>
<td>14.3</td>
<td>33.3</td>
<td>29.4</td>
</tr>
<tr>
<td>Other</td>
<td>10.7</td>
<td>0.9</td>
<td>0</td>
</tr>
</tbody>
</table>
Table 3. Level of satisfaction with salary or benefits package

<table>
<thead>
<tr>
<th>Country</th>
<th>Satisfied with salary/benefit package (%)</th>
<th>Received additional benefits (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>24.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Canada</td>
<td>35.0</td>
<td>25.0</td>
</tr>
<tr>
<td>UK</td>
<td>14.0</td>
<td>1.8</td>
</tr>
<tr>
<td>USA</td>
<td>36.0</td>
<td>13.2</td>
</tr>
<tr>
<td>Other</td>
<td>17.4</td>
<td>8.7</td>
</tr>
</tbody>
</table>