Convergence, Divergence or Middle of the Path: HRM Model for Oman

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The role of human resource management function is at the crossroad, and on the one hand it is facing the crisis whereas there also exists an unprecedented opportunity to redefine and refocus the HRM function to leverage its credibility in organization. In Oman, HRM is in its infancy and there is a need to strengthen its discourse and learning. The present paper attempts to understand the dynamics of HRM in Oman and evaluates various HRM models which have evolved over a period of time. It is difficult to prescribe a HRM model without analyzing the regional and socio-contextual factors inherent in Oman and neither convergence nor pure divergence provides a solution to this end.

INTRODUCTION

We are living in a highly dynamic and chaotic world of business today where organizations have to be an effective customer responsive organization. They have to gear up for becoming an effective global competitor. In GCC countries and especially in Oman, firms have no choices left as well. They are facing the onslaught of globalization, and the recent economic recession has further worsened the situation. They have to be flexible and re-look at their HRM system and restructure its hard-defined procedures. It still remains a challenge for majority of Omani companies to adopt these changes. It is widely accepted now that HRM can act as a key means to achieve a competitive advantage in Omani firms. Though, some of the Omani firms have shown keen interest in recent past to be a responsive organization in this regard. But they don’t know which way to go. Either to adopt the western HRM model as being presented to them or to explore or recreate something indigenous seeing their distinct work realities.

If we look at the evolving paradigm of HRM, it becomes difficult to identify which model or framework of HRM will be more relevant for Oman. There have been numerous model of HRM which can help Omani firm in achieving organizational effectiveness but there is lack of information about their utility and applicability which poses a great question for Omani firms. In many cases, these hypothetical models have been found not fully relevant for Middle East countries or GCC countries and Oman in particular. Culture-free or culture-bound is the other issue which is raised by researchers alike. In fact, there is an absence of a systematic analysis that could present a comprehensive picture of the dynamics of the HRM in the Middle-East region (Budhwar and Mellahi, 2006). In this background, the present paper is an attempt to understand the dynamics of HRM in Oman. It will evaluate various HRM models and will attempt to raise a debate on developing a HRM system which can suit to the exigencies of Omani society.
Nothing has moved as fast as in the last twenty five years for the discipline of human resource management. It has come a long way from a reactive, bureaucratic people management function (being called as personnel management) to a proactive and strategic human resource management. The shift in the paradigm has been forced by economic, business and socio-political factors but the changed stance is a reality and firms worldwide are looking at HR function as becoming important and expecting more value addition to the strategic objectives of the firm. The role of human resource management function is at a crossroad, on the one hand it is facing the crisis whereas there is an unprecedented opportunity to refocus its HRM systems as strategic assets (Becker et al., 1997). Khatri and Budhwar (2002) also feels that the field of HRM is in transition and it is breaking away from its micro-focused role to a macro strategic paradigm in which individual HR functions are not only aligned with the organization strategy but also with one another (see Budhwar, 2000; Lundy, 1994; Martell and Carroll, 1995; Ritson, 1999 as quoted by Khatri and Budhwar, 2002). There have been numerous model of HRM which has evolved in last 25 years or so and they have contributed significantly to the discipline of HRM. In the following paragraphs, some of them are analyzed and a comment has been made on their applicability for this part of world.

Starting from Michigan model (Fombrun, Tichy and Devanna, 1984) to Harvard model (Beer et al., 1985) to contextual model (Hendry and Pettigrew, 1992; Hendry et al., 1988) to Schuler’s 5-P model (Schuler, 1992) of strategic HRM where he emphasizes on philosophies, policies, programmes, practices and processes, the HRM literature has evolved to a great extent. The Michigan model looks at human resource as a resource and advocates for its efficient utilization to meet organizational objectives and this model is based heavily on Chandler’s (1962) argument that an organization’s structure is an outcome of its strategy (Budhwar and Debrah, 2001) and structure is designed to serve the strategy. This model ignores the humanistic feeling or anchor point while dealing with human resource and they are seen just as a cog in the machine, that is the reason, it is referred as a hard approach to HRM. The organizational effectiveness in this model depends on achieving tight fit between HR and business strategies and it is pursued by adopting four key HRM systems such as selection, appraisal, compensation and development system of the firms.

There have been many criticism of this hard approach calling it prescriptive and strongly unitarist (Boxall, 1992) and many feels that the very idea of tight fit makes the organization less flexible and moribund for a change and hence unfitted for the present day business scenario (Budhwar and Debrah, 2001). In the context of Oman, this model has less relevance as we can’t have a hard defined strategic recruitment and HR system and government plays very important role in this area. The reliance of Omani firms on expatriate workforce has forced government to undertake Omanization programs i.e., employing and training Omani locals; and Omani firms have to employ certain percentage of Omani locals and if they fail to do so they can be penalized.

The Harvard model (Beer et al., 1985) which is also referred as softer model of HRM (See Legge, 1995; Storey, 1992) focuses on human relation (Mabey and Salaman, 1997; see also Blyton and Turnbull, 1992) and tends to adopt a particular approach to work place relations: emphasizing unitary, integrative, individualistic systems, undermining workforce organization or collectivist values as outcomes of management choices about the key HRM levers affecting workforce-organization relations. This helps in creating employee commitment in organization and lead to better realization of goals. As far as its relevance to Oman or GCC countries is concerned, it seems to be limited in its utility due to heavy reliance of GCC or Omani firms on expatriate workforce. Most of the expatriate workers have a short term employment contract of a year or two and this short-termist approach and lack of employment security makes it hard for organization to generate the degree of employee commitment they require. Al-Rajhi et al. (2006) in their study of Saudi Arabian HR system also feels that HR has an important role to play in facilitating the successful cultural and work adjustment of these guest workers to enhance their productivity and well being.
Mabey and Salaman (1997) quote Hendry and Pettigrew (1986) who argue that the strategic aspect of HRM consists of four key elements:

- the use of planning;
- a coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy, and often underpinned by a ‘philosophy’;
- matching HRM activities and policies to some explicit strategy; and
- seeing the people of the organization as a ‘strategic resource’ for achieving ‘competitive advantage’.

Taking a cue from Hendry and Pettigrew, Schuler developed his 5-P model which talks of strategic integration of business and HR strategy. In recent time, HRM has been labeled as strategic human resource management and it seems to be concerned with ‘integration’ and ‘adaptation’ of business strategies and HR strategies. Schuler (1992) prescribes that: HRM should be fully integrated with the strategy and strategic needs of the firm; HR policies must be coherent; and HR practices are required to be adjusted, accepted and used by the managers and employees as part of their everyday work (Budhwar and Debrah, 2001). This model seems to be highly hypothetical (Budhwar and Debrah, 2001) and it looks to have less attraction for Omani firms. HRM in Omani firms is in nascent stage and there is lack of participation of HR specialist on the board of the firms, they are hardly involved in strategic decision making process and in this scenario, it makes difficult for them to adopt coherent and strategic HR intervention and serving the strategic needs of the firms. Though 5-Ps (philosophies, policies, programmes, practices and processes) will remain relevant as an ideal to achieve in long term for Omani firms.

In recent time, High Performance Work System has made much currency among HR practitioners and researchers alike and there has been wide debate on its utility across region and culture. Becker, Huselid and Ulrich (2001) in their wide acclaimed book, The HR Scorecard present a framework for creating High-Performance Work System and prescribe that a firm must have the following characteristics among others: use of formal performance appraisal and management, use of multiscore performance appraisal and feedback, use of validated selection and promotion models and procedures, extensive training and development of new employees, linkages of merit increases to formal appraisal system, high differential in pay between high and low performers, and high percentage of jobs filled within. Though, this model appears having wide appeal and seems applicable to most firms but if we look at the prerequisites of creating such a system, it appears to be near to impossible in this part of world. Thus we see most of the models have their inherent limitation which are difficult to replicate in GCC countries. Omanization itself limits all of HPWS’s vitality prescribed by its authors. The other important point is that the region or country-specific phenomenon remains important to be seen in this regard while generalizing the utility of a particular HRM model at a firm level. Any model which looks into regional, cultural and socio-economic factors will be more appropriate. In the present global scenario, there is a need for understanding region or country-specific phenomena that would help to generate theory for global relevant issue. It will also help to evaluate region-specific constructs to study local and global issues (Budhwar and Mellahi, 2006).

**CONVERGENCE OR DIVERGENCE OR MIDDLE OF THE PATH**

Despite all attractiveness of the emerging paradigm of HRM, certain questions need to be answered. Researchers have made great attempt in examining the applicability of some of the theoretical models of HRM but very little research or probing exists for this part of world. Researchers have questioned the universal applicability of the Anglo-Saxon model. This has generated a dilemma before the firms in this region in dealing with the change in their respective HR process. Either they should adopt the best-fit (contingency model) or the best practices approach (see also Boxall & Purcell, 2000). The best practices approach is based on the normative statements of what HR practices should look like together with the proposition that the adoption of these practices will lead universally to organizational success. This
approach is highly influenced by American researchers and commentators whereas the best fit model advocates external and internal integration of HR strategy with the overall business strategy (Doherty, Klenert and Manfredi, 2007). These approaches need to be evaluated in socio-cultural context for serving the objective of the realization of organizational goals in Omani firms.

Best fit vs. best practices debate further gets reinforced with the convergence-divergence debate. The proponents of convergence approach (e.g., Kerr et al., 1960; Eisenstadt, 1973; Levitt, 1983; Prentice 1990) state that the international competitive pressure overrides differences in a national management system and lead to a convergence management practices towards the most successful model whereas the scholars of the divergence approach (e.g., Laurent, 1983; Whitley, 2000; Hickson and Pugh, 2001; Hofstede, 2001) stress on the management practices strongly influenced by the national-economic context (Pudelko, 2006). Thus the field of HRM is witnessing a two bipolar paradigms i.e., universalistic/convergence and the contextual/divergence paradigm.

The applicability of an HRM model for GCC countries and Oman in particular is an issue which needs to be reevaluated. Most of the oil-based economies of GCC have their contextual factors which are sharply different from the US and Western developed countries. Pudelko (2006) made a comparison of HRM systems in the USA, Japan and Germany and found that the socio-economic contextual factors of the American and Japanese HR systems are in many ways at opposite ends with the German factors in between and he warns against any over-optimism with regard to fully standardize managerial practices across countries. He is of the view that the profound embeddedness of HR practices in their respective socio-economic contexts appear to limit the margin for MNCs to comprehensively standardize their HR practices and the immense cultural and institutional complexity of various countries seems to work as a counterweight to pressures for convergence. Smith and Meiksins (1995: 128) also observe that US, Germany and Japan are most frequently referred as ‘models’ but their perceived strength is distributed quite unequally: the American model has to be described as dominant (Dore, 2000) whereas the Japanese model is defensive and subject to profound modifications (Frenkel, 1994) and the German model appears to be in a process of change albeit a more moderate one (Pudelko, 2004 as quoted by Pudelko, 2006).

In this context, it will be worthwhile to raise a question about the development of a national HRM model or system which can serve the Omani firms in more proactive ways. As it is difficult to prescribe a HRM model without analyzing the regional and socio-contextual factors inherent in Oman. In fact, neither convergence nor pure divergence provides a solution to this end. As we have seen in the previous study of Pudelko (2006) that mere imitation of HR practices is near to impossible to be successful in a given country but he found that German system and more particularly the Japanese systems have moved somewhat more towards the ‘American side’ of the bipolar scale. In the end, Pudelko(2006) advocates a middle of the path approach calling it a universalism-particularism approach, one which seeks to integrate both opposite streams rather than trying to overcome the contradiction between the two lines of thoughts and declaring one more valid than the other.

Sparrow, Schuler and Jackson (1994) in their study of HR systems of 12 countries evaluated the HR practices and policies for competitive advantage. They tried to find out that what must be done to gain competitive advantage and do firms in different parts of the globe practice human resource management for competitive advantage differently? Their investigation concludes that there is indeed a convergence in the use of HRM for competitive advantage, however, in pursuing this convergence there are some clear divergences, nuances and specific themes in the areas of HRM that must be handled carefully. HRD is another area which also needs a mention here though it has been used interchangeably with HRM. Woodall (2005) writing the editorial, “theoretical framework for comparing HRD in an international context" for the journal, Human Resource Development International opines that a lot of articles have been written which explore, describe and analyse HRD practices in different cultural contexts but now the HRD scholarship is confronting cross-cultural analysis problem which has been faced by earlier social science and management discipline and we have to make a choice, either we take well established theories developed and tested mainly in USA and then apply it for analyzing the empirical evidence gathered from other countries or we should start afresh in that setting, grounding our process of theorization in specific cultural context. Though, the latter approach or choice seems to be more
meaningful as it can serve the HR constituency in GCC countries in a better way nonetheless, knowledge base gained elsewhere can also be utilized in any setting provided it doesn't change the desired objective of the course of the action and makes fruitful contribution.

**HRM MODEL AT NATIONAL LEVEL FOR OMAN**

Oman is one of the GCC countries (Saudi Arabia, UAE, Kuwait, Bahrain, Qatar and Oman) with a population of 2.416 million (Ministry of National Economy, 2005). It is the third largest country in Arabia with a total land area of 309,500 sq. kilometers. bordering Yemen, Saudi Arabia and the United Arab Emirates lying on the southeast corner of the Arabian Peninsula. The commercial export of oil began in 1967 in Oman. Since then, oil has been the major contributor to the GDP. The fourth five year plan (1991-1995) for the first time emphasized the need to diversify the production base other than oil and Government paid special attention to the sectoral and regional development process in Oman (Ministry of Information, 2002). Omani firms depend heavily on the expatriate workforce and they comprise 54 percent of the total workforce. GCC countries’ expatriate workforce exceeds 10 million and constitutes up to 70 percent of the GCC labor force. It accounts for 88 percent in UAE, 83 percent in Qatar, 81 percent in Kuwait, 72 percent in Saudi Arabia and 55 percent in Bahrain (Oman Economic Review, March 2006). GCC countries have taken many steps to strategically cut down its reliance on expatriate workers and Oman has also adopted *Omanization* policy (employing Omani nationals only—where certain percentage of employment has to be attained by firms by certain date, which is different from sector to sector) has become an important issue and many firms believe that it limits their ability to compete and impacts the value chain of their competitive advantage.

There is no denying to the fact that the socio-contextual factors play very important role in Middle East, GCC countries in general and Oman in particular. Abed (2003) identifies five main root causes holding back the economic growth of the Middle East which are: lagging political reforms, dominant public sectors, underdeveloped financial markets, high trade restrictiveness and inappropriate exchange rate. Some other factors are: lack of integration into global economy (Looney, 2003), the rising rate of unemployment, closed economy, over dependence on the oil and lack of privatization initiatives (Budhwar and Mellahi, 2006). Furthermore, the legal framework, political uncertainties and the weakness of entrepreneurial cultures make this region more vulnerable (See Talib 1996; Abed, 2003). Though, some countries have pushed privatization program intensively in recent time and Oman is one of them. Oman signed FTA with US in the year 2006 and amended its labour laws in line with the international demand. These are modest beginning in the context of Oman.

Many researcher have argued that the development of management theories and organization for the Arab region should pay due attention to the Arab environment. Ali (1995) also feels that management theories in this region can only be developed by giving due importance to the Arab environment. Anwar (2003) found the stark differences in American and Arabian culture and find that how US companies have adopted their management styles and philosophy to suit the cultural demand of UAE. In another study (Saleh and Kleiner, 2005), it was found that to be successful in the Middle East region, American companies must develop an understanding of the culture, people and politics of this part of the world. A number of scholars identify the immense impact of Islamic values, Islamic work ethics, and Islamic principles on the management of human resource in Islamic countries (Budhwar and Mellahi, 2006) and Oman is one such country whereupon such factors play important role in shaping HRM system and other related institutions which determine the HR. Al-Hamadi and Budhwar (2006) also endorse such view and comment that in an Islamic country like Oman, when the government decides to design HRM policies, it has to consider the effects of religion primarily besides other factors such as culture, political ideology, economic conditions and the legal system.

There is a need for developing HRM framework to comprehend the dynamics of people management function at the national level. It is also important to look at cross-national and cross-cultural differences in terms of acquisition, utilization, retaining and development of the workforce. Any national HRM system evolves primarily from the industrialization process and the necessary insight can be gained by
understanding the unique organizational criteria derived from national business systems and the resultant HRM policies and preferences (Sparrow and Budhwar, 1997). There are four frames of reference which shed light on the distinctive national and local HRM solutions and the factors associated with it. These are:

i. Evolution of the business system and the structure of labour markets;
ii. The institutional influence on the employment relationship;
iii. The competence and role of HRM decision makers; and
iv. The influence of national culture on policy preferences (Sparrow and Hiltrop, 1997 as quoted by Sparrow and Budhwar, 1997).

After critically analyzing several frameworks and undertaking extensive research work in the field, Budhwar et al. (see Budhwar 2004, Budhwar and Debrah 2001, 2004, Budhwar and Sparrow, 1998, 2002) propose a framework for examining cross-national HRM (Budhwar and Mellahi, 2006). They have identified three levels of factors and variables that are known to influence HRM policies and practices. These are:

i. National factors (involving national culture, national institutions, business sectors and dynamic business environment);
ii. Contingent variables (such as age, size, nature, ownership, life cycle stages of organization );
iii. Organizational strategies and policies related to primary functions and internal labour market.

### TABLE 1

**ASPECTS OF NATIONAL FACTORS DETERMINING CROSS-NATIONAL HRM**

<table>
<thead>
<tr>
<th>I-National Culture</th>
<th>II-Institutions</th>
<th>III-Industrial Sector</th>
<th>IV-Dynamic Business Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socialization process, common values, norms of behavior, customs, influence of pressure groups, assumptions that shape managers’ perceptions, insights and mindsets, management style, meaning of work and values, personal dispositions, attitudes and manners, approaches to cultural diversity, match to the organization culture.</td>
<td>National labour laws, trade unions, politics, educational and vocational training set-up, labour market, professional bodies, international institutions, industry by itself, employers’ federation, consulting organizations, placement organizations, trade bodies, government institutions, local authorities, voluntary bodies.</td>
<td>Common strategies, business logic and goals, regulations and standards, sector-specific knowledge, informal and formal benchmarking, cross-sector co-operation, common developments in business operations, labour or skill requirements, merger activity, workforce mobility, capital mobility.</td>
<td>Competition, business alliances, changing composition of workforce, restructuring, focus on total customer satisfaction, facility of information, technological change, globalization of business.</td>
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</table>

*Source: Budhwar (2004: 8).*

Furthermore, Budhwar and Sparrow (2002) provide details of the aspects of national factors which determine cross-national human resource management which are listed in the Table-1. All these national factors form macro-environment of organization in a national context and play important role in shaping national level HRM system.

Therefore, it can be argued that a national HRM system for Oman must take into account the culture specific factors. Other stakeholders and institutions also play important role in shaping HR discourse and learning. As cited above, specific industrial sector issues are also pertinent and above all the business environment and its dynamics like degree of competition, composition of workforce, restructuring and...
downsizing of workforce, demands of customers, technological change and globalization of business are other important issues which impinge dominantly on HRM system. In Omani business context, Omanization policies of the government, heavy reliance on the expatriate workforce, lack of training and vocational institutions, absence of skilled workforce, absence of trained and competent HR professionals in local labour market, prevalent collectivist work environment, in-group collectivism and sheikhocracy, prevalence of Wasta in selection and promotion systems, adherence to labor and commercial laws besides other factors are important and play crucial role in shaping HRM system at national level.

Oman is an oil-based economy and to encourage the process of Omanization in oil and gas industry, Oman Society for Petroleum Services (OPAL) was created in October 2001 by a Ministerial Decree. OPAL adopted a mindset change strategy in their second HRD Workshop which was attended by 60 HR professionals in March 2006. OPAL feels that the perceived mindset in employment environment needs to be changed as current attitudes of some companies are that:

- They Omanise because of the Government pressure and in order to meet the minimum target to obtain labor clearance rather than as a good employment policy.
- They adopt salary structure to a minimum statutory one and it doesn’t match the competencies of the individuals. Moreover, they don’t look for retaining local skills or encouraging their self development.
- They consider the local human resources as a financial liability and not as a valid asset that could increase their profitability. Therefore, investment in their training and development becomes the sole responsibility of the government and not the employers.
- Appropriate budget for the development of nationals is rarely set aside and investment in people is rarely reflects in companies’ vision (Khan, 2007).

Al-Hamadi and Budhwar (2006) in their study find that the triangle of Islam, tribe and family plays a very important role in almost everything in Oman including HRM. They are of the view that Islam is at the top of the triangle in Oman with its effects on all aspects of life whereas the tribe and family form the base of triangle and the second-most influential institutions in Oman after Islam though Islam prohibits tribal prejudices. In their survey of 712 employees employed in six semi-private and public sector organizations examining the perception of employees regarding the influence of aspects of national culture and institutional factors on HRM policies and practices, they found that Omani employees give high priority to the importance of religion and the socialization process. The influence of the expatriate workforce, management style unique to Omani work environment, organizational culture, and the influence of the social elite (i.e., people educated abroad) are other important factors. They also found that Omani employees give high priority to Civil service laws, educational and vocational training set-up, Omani labour laws, labor market and Omanization programs besides local administrative establishment such as Ministry of legal affairs, Court of legal administration, and the Court of the Royal Diwan. These are the institutions which have direct impact on HRM system in Oman.

It can be summarized that in time to come the industrial relation and labour union may have a fair amount of impact on HRM in Oman. Though, it is not significant (Al-Hamadi and Budhwar, 2006) at present but the beginning has been done. The radical change in the Omani industrial relation history in regard to the formation of trade union came on July 9, 2006 when a Royal Decree as a response to the commitment to the US-Oman FTA came into force. This decree cancels or supersedes all earlier provisions of the labor law that contravene or contradict its provisions. The recent changes in the labor law undertaken in Oman in response to the US-Oman FTA will have long lasting impact on the Omani labor scene and consequent employment relationship in Oman in time to come. Though, it is difficult to predict that making such provisions will result into the emergence of the strong trade union movement in Oman. Cultural factors, encouragement by the government, institutional support, appetite among employees to protect and promote their employment interests and rights and presence of the strong union leadership will be the most important factors in this regard. But the recent changes in labor law will surely strengthen and protect workers’ interest and they will find an avenue to raise their voice in case of an
eventuality. This may pave the way for the realization of industrial democracy in Oman at workplace (Khan, 2007).

CONCLUSION

This is an important fact that the HR function has attracted the attention of corporate managers, consultants and researchers alike in GCC countries and in Oman as well. HRM is in nascent stage in Oman and the lack of HR knowledge and competency to understand the socio-contextual factors have generated a dilemma before the firms in Oman in dealing with the change in their respective HR process. The emergence of various approaches and models has further confused the HR constituency in dealing with emerging business challenges. Soft or a hard model, contextual model or culture bound HRM model, best fit or best practices HR model, convergence or divergence model, which one of them is suitable for Omani context is the moot question being raised by HR practitioners, academicians and researchers. Convergence approach labeled as the best practices approach is based on the normative statements of what HR practices should look like and it is highly influenced by American researchers and commentators whereas the divergence approach advocates that the HRM model must be embedded with culture-specific elements. It can be concluded that neither convergence nor divergence model can serve the purpose of HRM constituency which is so diverse and global at the same time. There is a need to adopt a middle of the path approach which can integrate the qualities of both approaches which are pertinent and solve the socio-contextual issues and integrate both opposite streams rather than trying to ascertain one more valid than the other. This approach will surely help in taking into account the regional ambiguity and developing a HRM framework which can be pertinent for Omani firms as well.

As evident from the previous discussion, understanding the national HRM system and its constituents at macro level will surely provide the HR professionals and line managers, the requisite knowledge to deal with the exigencies of people management. As each country’s business, economic and socio-political forces shape its national HRM context which is distinct from other, and in case of Oman, we can conclude that there exists a distinct HRM system. Mellahi and Budhwar (2006) also feel that there is no such thing as a Middle Eastern HRM model in this part of the world and they opine that the current forces shaping HRM in this region will lead to more divergence than convergence between and within these countries in the foreseeable future. Thus it can be concluded that there is need for more research for understanding the dynamics of a distinct Omani HRM model and the learning gained will surely contribute to enrich the people management function and its role in achieving organizational performance and excellence in Oman.

REFERENCES


