

# The influence of Religion and Culture on HR practices: A Comparative study of Saudi Arabia and Iran

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## Abstract

*Islamic values have influence on the managerial attitude and practices in Saudi Arabia and Iran. The present review is focused on conducting a comparative analysis of HR practices from the perspectives of the influence of religion and culture in Saudi Arabia and Iran. The region has a different range of geographical, economic and cultural spheres. Additionally, industrialization and economic development is at different stages within countries in the Middle Eastern region. The review suggests that the influence of religion and culture varies across both countries in terms of HR practice including recruitment and selection, training and development, performance appraisal, and compensation management procedures. In general, both countries are now focusing on developing HR practices to address the globalization challenges faced in the region.*

**Keywords:** Saudi Arabia, Iran, culture, religion, human resource practices, compensation and rewards, performance appraisal, selection, recruitment.

## 1. Introduction

To understand HRM in the Saudi and Iranian contexts, it is important to gain an overview of the HRM and business systems in the Middle East region. In view of Alobaid (2003) the term “Middle East” can relate to different cultural areas lacking specific borders including Algeria, Oman, Bahrain, Iraq, Iran, Kuwait, Libya, Saudi Arabia, Lebanon, Syria, Morocco, Qatar, Tunisia, Israel, Egypt, United Arab Emirates, Jordan and Yemen (see for example, Bellen, 2004). The region has a significant role both politically and economically, with population of more than 400 million collectively, and vast number of natural resources. However, there is a lack of significant development in management research regarding international HRM and cross culture in Middle East (Ali, 2003, 2009; Aycan, Al-Hamadi, Davis, & Budhwar, 2007). Despite the fact that Middle East has 65 percent of world’s oil, its economic growth is still considered low. Budhwar and Debrah, (2011) considered weak political system, structural imbalances, abundant resources and continuous war and conflict in the region as major reasons for the low economic growth. Studies have suggested

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that Western and Middle Eastern organizations have adopted different approaches for human resource management in the region (Westerduin, 2010). As compared to developed countries, there are significant differences in the attitudes and values in Arab countries. Subsequently, there are considerable variations in these countries with regards to managerial approaches.

According to Binjabi (2011), if Arab countries continue to adopt western human resource practices, it can lead to lack of suitable practices. The reason for this is the variation in economic, political and legislative practices. There is negligence in case of Middle East region when it comes to implementation of human resource practices. However, while comparing human resource practices and policies in Middle East with other developing countries; there is little variation in the differences as compared to similarities across the Middle Eastern countries. Essential differences across Middle Eastern region can be related to different factors such as economic system, political system, cultural factors and legislation and law (AlGassim, Barry, & Mcphail, 2012). This study is focused on reviewing the influence of religious and culture factors on HR practices are in Iran and Saudi Arabia.

## **2. Literature Review**

### **2.1. Iran**

Iran with a population of almost 70 million and abundant natural resource and strategic geography, is one of the most significant countries in the Middle East. It is located between the Caspian Sea which is the biggest lake in the world, and Persian Gulf which has two of the major sources of Oil and gas. Iran has been in isolation with the international community from the time of Islamic revolution. During this period, media was the only source for people to get to know about major events in Iran. Iran is quiet intricate and distinctive country because of its culture, history, and political context so one needs to consider a deep study to gain good understanding (Yeganeh 2009).

Iran has been discussing and debating democracy and pluralism for the past century and has undergone many changes in her social, economic and political situation (Haas, 1946). Islam is an all-inclusive religion and has a vital role in politics, economy, business activities and trade and all other facets of public and private lives of people.

In terms of political affairs in Iran, there are a number of political parties and factions comprising those who believe in preserving Islamic and traditional values and those who are interested in seeing sociopolitical reform as a solution to the challenges presently being experienced under an Islamic republic. According to a resource-based

analysis of economic performance, Iran is potentially the world's twentieth strongest economy. For legal issues, Iran has quite inclusive legal command which took place almost half a century ago, some of the laws are not relevant to the present-day challenges and do not provide security to investors.

### **2.1.1. Human Resource Practices in Iran**

#### *2.1.1.1. Recruitment and selection*

Iranians are not much of a risk taker due to uncertainty in the country. For these reasons, Namazie and Tayeb (2006) pointed concerns of nepotism as managers prefer to recruit employees through word of mouth and mostly informal channels are used for recruitment. To ensure that appropriate person is hired, organizations prefer to recruit someone who is known and trustworthy. This also explains why some of the companies give more importance to loyalty over skills and expertise while recruiting. Moreover, studies suggested that nepotism is more commonly observed in higher managerial positions while in middle and lower staffing positions, recruitment is mostly done through official advertisement. Many MNCs and Iranian private-sector companies are also recruiting through professional agencies. For selection purpose, Iranian companies go for seniority, work experience, degree awarding institution and status of previous company. Selection in Iranian companies can range from informal basis to highly formal structure. Some public-sector companies even go for numerous testing stages. In private organizations, selection methods are mostly based on seniority and relationships (Namazie & Tayeb, 2006)

Multinational organizations of western countries practice recruitment and selection on the basis of individual's potential, competencies and skills. In contrast, MNCs from eastern countries follow the patterns of seniority and experience. Recently, Iranians' focus is shifting more towards individual potential and competency in recruitment and selection. Despite recent shift, Namazie and Tayeb (2006) are of the view that nepotism in Iranian companies will still remain due to its too deep-rooted in Iran society.

#### *2.1.1.2. Training and development*

Iranian and multinational companies give importance to training and development (Namazie & Tayeb, 2006). Iranians have greater motivation for management education and knowledge as it is evident from the fact that MBA and other management programs are becoming popular. In Iran, MNCs prefer step wise process for their employees' training and development and often acquire the services of professional trainers for employees' training programs. Generally, in Iran, both national companies

and MNCs opt for courses in the areas of technical and management-development programs. However, it is vital to point that systematic training and development framework is lacking in the design of training programs. It is also worth to mention that despite company's preference for management-training courses, fewer companies acknowledge the greater need for skills-development course in the Iranian workforce.

#### *2.1.1.3. Performance appraisal*

One of the major purposes of performance appraisal is to provide feedback to employees and making it a long term plan in goal achievement. In Iran, there is a lack of providing constructive feedback and performance appraisal is only used to evaluate employees' activities (Namazie & Frame, 2007). Studies suggest that at times performance appraisal does not bring any satisfaction to employees; they get more insecure due to the subjective assessment of performance by managers. Moreover, performance and pay are ambiguously related due to which many employees gets the feelings of unfair treatment, and consider as their actions have no importance when it comes to relations (Namazie & Frame, 2007).

In contrast, local employees working in MNCs are more satisfied with the way performance appraisals are conducted (Namazie & Frame, 2007). To understand the mechanism and idea of the performance appraisal, local staff is provided training in the first instance. Upon successful training, it can be used to motivate local employees in order to achieve their career progression and development. For these reasons, most Iranians prefer to work in multinational corporations (Namazie & Frame, 2007).

#### *2.1.1.4. Compensation and rewards*

Compensation and rewards strategies in countries are mostly affected by socio-economic, economic, demographic challenges and cultural differences. For instance, the labor laws follow strict protectionist policy among the most common compensation components which provides food, social security, clothing, education, and housing. Though labor laws stand significant for most of MNCs and private sector, it doesn't motivate workforce to a larger extent.

Namazie and Tayeb (2006) have distinguished between the compensation and rewards strategy in public, private and MNC in Iran. They observed that in public sector, compensation and rewards are very low but do come with vast and complex combination of benefits, it has its own laws. The enduring employment and assorted benefits of public sector attracts many but the system is layered, bureaucratic and doesn't pay for performance. Benefits are mostly routine based and are given without any performance measure.

Private companies provide higher salary but they are more restrictive in paying rewards due to their low budget constraints (Namazie & Frame, 2007). Individuals working in private sector are of the view that they are living in a flexible environment and they have potential for career progress as compared to the public sector. MNCs provide better salary structure which not only focusing on retention of staff in terms of financial rewards, but also attracting employees through offering an attractive benefits package including loans, additional medical service and recreational club benefits.

### **2.1.2. The Role of Culture in Iran's HR Practices**

Besides Persian and Islamist influences, the influence of western culture on Iranian society should be taken into consideration. The degree of hierarchical distance is one of the features in Iranian society (Asadi, 1984). This dimension is concerned to the extent in which the powerless society members expect and accept that power is distributed unequally. Several studies have suggested that Iran is a high power distance society (Yeganesh and Su, 2007; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Javidan & Dastmalchian, 2003). High hierarchical distance antecedents are embedded in the Iranian mythology, history, politics, religion and family structure (Yeganeh, 2007; Hoveyda, 2003; Daniel, 2001). Secondly, risk avoidance is another cultural dimension in Iran (Hofstede, 1980; House et al. 2004). Hofstede (1980) proposed that risk avoidance deals with society's tolerance for ambiguity. It demonstrates that among all other characteristics uncertainty avoidance has unique characteristics (Yeganeh, 2007).

There are enough evidences of culture influence on how managers make decisions and perform their work tasks. The influence of culture on management can be measured at two levels (Bidmeshgipour, 2012). At first level, culture may affect the professional's concept of what constitutes effective practice in the organization. At the second level, culture may affect the management fundamental theories. Culture in a world is viewed as a phenomenon that surrounds us all the time, being endorsed and created by constant interactions with others. Based on the significance of the culture in management and considering Iranian culture features, studies have suggested adding European Foundation for Quality Management (EFQM) model to the culture shell for Iranian Organizations. For example, an organization where the understanding of the Iranian culture is that people are oriented towards past. It can be understood that people's willingness is towards repeating work rather than the innovative ideas. Therefore, in this type of organization, the training programs mostly emphasize the familiarities with recent technologies and achievement that work in the industry. Based on the excellent model, the result can be measured through people's result. In this part, organization management team will evaluate how effective the training is, and

if satisfactory results are not achieved, they may introduce new method, for instance provide award or promotion for innovative practical ideas. There are more educated managers working in the management field and more women are employed in different organization from abroad rather than emphasizing the engineering managers. Therefore in Iran the trend is more towards systematic human resource management and more companies adopt strategic human resource management.”

### **2.1.3. The Role of Religion in Iran’s HR Practices**

Iranian culture can be divided into two courses i.e. Islamist and nationalist. Ancient Persian civilization and Zoroastrianism are classified in nationalist aspect which is dated back to 3000-2000 BC but this aspect is still predominant in Iranian society such as new year festivals (Nowrooz), calendar and persian literature. Islam symbolized certain values like respect for seniority, age, loyalty, obedience to leader and consultation in decision making from seniors.

HR policies and practices in public sector are influenced from the Islamic revolution dated back to 1979. The modern HR and management techniques were eliminated over a night in 1979 revolution. All laws and practices in the country were changed. Ideology replaced technocracy, and loyal workforce replaced skilled workforce. Competencies replaced relationships and loyalties in the merit. The Islamic revolution initiated many changes in management but it has also changed the workforce composition. Women’s participation in workforce was reduced under the new Islamic code. Dress codes, women authority in executive position, gender segregation were some reason to force out women from the workforce (Namazie, 2000).

However, in recent years, the mismanagement consequences can be felt today in the private and public sector. There are some solid forces that are pushing Iran for HR development as main solution to the current economic, social and cultural challenges. Some recent researchers believe that Iran is moving toward modernism and de-islamization. For these reasons, companies have recognized their mistake of replacing technocracy with ideology. This is not to undermine the Islamic values but in today’s era the economic pressure forces company to pay more emphasize on competencies and professionalism instead of ideological values. One of the important reasons is the high level of unemployment and presence of skilled and educated workforce in the market, and exploiting these resources for development and investment. The external influence includes globalization and internationalization, and economic development of Iranian industries and companies and also the rapid speed of technological development.

## **2.2. Saudi Arabia**

Saudi Arabia was founded by the late king Abdulaziz in 1932. It has the largest population in Middle East with 27 million. Riyadh is the capital of Saudi Arabia with population of more than 4 million. The government of Saudi Arabia is based on monarchy which is founded on a tribal system by a large royal family. The King stands as the head of the House of Saud, Head of the Government and the Chief of State. The king has the highest authority. Prosperity in economic development took place in 1970s due to the discovery of oil and successive oil generated revenue which led to major large scale changes in Saudi Arabia. Thus, in order to gain a complete understanding of Saudi Arabia, it is important to keep in mind socio-economic, historical and political conditions of the country. Arabic is the official language and Islam is the official religion of Saudi Arabia. According to Huyette (1985), during the 1980s Saudi Arabia progressed into a multifaceted society, looking forward to gain the benefits of the developments made on economic and social levels. Commitment and motivation to uphold the country's religious and social tradition has persisted which is causing a struggle between modernization and cultural preservation. Saudi Arabia is significantly different from other countries in the world due to its strong association with the religion and culture.

### **2.2.1. Human Resource Practices in Saudi Arabia**

#### *2.2.1.1. Recruitment and selection*

Saudi firms face troubles while attracting qualified Saudis (Mellahi, 2006). They have been working on various strategies to attract sufficient or at least legally required Saudi applicants. Numerous firms attract skilled employees with the help of technical and vocational institutions. Additionally, the Government supports the job training period by making contribution to their salaries for the early period of employment. Firms in Saudi Arabia post their jobs on the website of ministry of labor for vacant positions. Jobs are advertised in regional and national newspapers. By doing this, the government put efforts to create awareness among large number of job seekers regarding vacancy. Sometimes this effort also turns into failure to attract candidates, who are qualified (Mellahi, 2006). Recruitment firms are used for hiring competent foreign workers. As employment agencies are way too expensive, only big firms like ARAMCO and SABIC have ability to meet the expenses of employment agencies. According to Adawi (2004) many Saudi agencies have started improving their work on employment services, but the impact of such agencies is still low. According to Budhawar and Mellahi (2006), very little is known in the selection process about prospects identification, implored and chosen, little information is available to the extent on which Saudi firms use induction programs and processes, which help in

the selection of employees. The practice of formal and informal mentoring is not common in small and medium private companies but it is well established in large organizations such as Saudi Aramco and SABIC. Interviews are conducted on large bases in large size firms and public-sector organizations (Mellahi, 2006). Private sectors have recently hired expatriates and selected employees based on their official qualification. While most firms mention in their advertisements that interviews will take place while selecting skilled workers, but little is known about the validity and structure of job interviews (Mellahi, 2006).

#### *2.2.1.2. Training and development*

Noe (2008) suggested that in order to make training and development an important HR strategy, it is essential to increase significance of learning and knowledge-based organizations and bring rapid changes in the job design and technology. In this regard, the Saudi Arabian government considers education and training as the way out to the development of work related skills and competency, so they end up spending more than a quarter of their budget on training and development, though education sector has not delivered the promising results towards employers (Madhi & Barrientos 2003).

The Saudi Arabia's labor market depends on the availability of foreign labor with the condition of one out of ten labor being Saudi citizen (Sfakianakis, 2011a). Furthermore, while the private sector is still growing, the participation of Saudi labor force depends on high wage equilibrium and also for the reduction of high job hopping. Saudi look for greater salary and status has curtailed efforts to offer on-the-job training; once Saudis feel more secure in private sector positions, training programs will more naturally be able to flourish (Sfakianakis, 2011b).

The establishment of human resources development fund is aimed to pay 50 to 70 percent of the salary for the first year of any qualified Saudi employee. This fund will also support a year's training of an unqualified Saudi employee fully for skills, with no responsibility on employer (Saudi Aramco, 2011). These initiatives have been taken to solve other issues that are raised in the literature. Al Gahtani (2002) and Wilkins (2001b) pointed several challenges such as complex terminologies and unfamiliar are faced during skills developments and training in Saudi Arabia. Al Gahtani (2002) recommended that there is a need to conduct training in Arabic, and its contents and goals should be according to Saudi conditions, and that it must cover the diversity of skills which most of the employers are seeking in employees.

#### *2.2.1.3. Performance appraisal*

Periodic appraisals motivate employees for exemplary performances (Capko,



2003). According to Ramlall, Al-Amri, and Abdulghaffar (2012) there is clearly a lack of focus on pay for performance in Saudi Arabia. The normal rewards for employees coming up with high performance were development in one's career and increase in monetary rewards. Likewise, the score for financial incentives is one of the lowest scores for all responses.

The retail companies in Saudi Arabia have endorsed practical appraisal measures which are accepted by majority stakeholders. Additional appraisal procedure which is noteworthy in the region is to integrate self-assessment criteria. This counts as a significant factor because it displays the elements of self-responsibility and achievement of self-regulated targets. Different companies use numerical indicators to display the level of performance (Storey, 2007). In Saudi Arabia, appraisal practices vary from company to company (Snape & Redman, 2010). To get rid of unjustified prejudice and to achieve the objectivity, productivity and responsibilities of employees, a fair performance assessment is crucial (Campion, Fink, & Rugeberg, 2011). Most retail entities in Saudi Arabia have set standards of appraisal procedures which provide them with reliable and dependable results for each employee. Some employees prefer 360 feedbacks where the job is to get response from entire organization's stakeholder relating to a given employee (Williams, 2011).

#### *2.2.1.4. Compensation and rewards*

In general, there is a lack of minimum wage concept in Saudi (Arabia) (Al-Hassani, 2004). Mellahi (2006) found that compared to Saudi national, a non-Saudi earned three times more than what Saudi nationals earned in 2000. This difference of pays between Saudi nationals and non-Saudis varies from one sector to another. An employment and wage survey which was carried out by the Ministry of Labor in the four dominant provinces in Saudi Arabia – Riyadh, Dammam, Jeddah and Al-Jubail – demonstrates that the monthly average salary was 2,458 Saudi riyals, where Saudis were paid on average 5,446 Saudi riyals which were way more when compared to an average salary of 1,880 for non-Saudis. Fascinatingly, but reasonably, non-Saudis are paid higher salaries in the banking and insurance sector than their Saudi colleagues. One of the main reasons for this disparity is the fact that due to better technical skills, non-Saudis are posted on top management positions in the banking and insurance. Further, salaries are also different according to country of origin. Highest pay is given to western expatriates, followed by Saudis, skilled workers from Arab countries, such as Lebanon and Egypt, India, Pakistan and workers from East Asian countries. Of the many challenges, the act of practicing equity in compensation and rewards is also a very crucial issue for Saudi Arabian organizations (Wiseman, Gomez-Mejia, & Fugate, 2000). Usually many organization pay similar pays to varied gender, but there are or-

organizations which still discriminate woman because of their cultural grounds. Some benefits which are common among many organizations include retirement benefits, health insurance and issuance of company shares (Gomez-Mejia & Balkin, 1992).

### **2.2.2. The Role of Culture in Saudi Arabia's HR Practices**

The cultural values and traditions affect leadership and management of companies in Saudi Arabia. Saudi managers are expected to play a role of father like figure in organizations (Idris, 2007). Furthermore, the social behavior in Saudi Arabia is governed by Islamic teachings and collectivistic culture (Idris, 2007). Majority of the companies in Saudi Arabia are family owned (Achoui, 2007) and the family concept continuity is a key in improving organizational performance and employee competitiveness. Therefore, HR managers face difficulties in the execution of international HR practices (Shneider 1988).

Arab has socio-centric, traditional and male dominated culture (Badawy, 1980; Abdallah, 1997) and motivates dependency on relatives and friends (Hofstede, 1984). Tribal traditions encourage consultation within extended family and same tribe. Asabiyah means extreme loyalty to its own tribe motivates authoritarianism with non-kin (out group) like other tribes and expatriate workers. Research studies in Saudi Arabia on dominant management styles provide conflicting results. Saudi Arabian managers, according to the research predominantly prefer consultative and participative styles. Ali (1993) concluded that irrespective of contingency factors, manager tended to adapt to new environment.

These conflicting results were explained by pointing out that Saudi do not intend to create the consultation situation but rather a feeling of consultation. Ali (1993) discussed that consultative style in Saudi Arabia is different from the western consultative style and called it a pseudo consultative style to differentiate it from the real consultative one. Muna (1980) discussed that subordinates expect to be consulted about decisions in Arab countries; but they did not participate in decision making.

Ali (1993) further pointed that socializing outside the family's environment results in the authoritarian management styles, which does little in preparing individuals to work with people outside the family's environment. Atiyah (1999) found that Saudi Arabian organizations operate like tribe or clan in which social leadership skills are used by patriarchal authoritarian managers to get the work done. Managers opt for social pressures and informal methods before going for punitive steps.

According to Hofstede's (1980) taxonomy, high power distance and high uncertainty avoidance are attributes of Saudi Arabia (Baxter, 1998) and within the group collectivist and without the group individualist. High power distance could be linked

with respect of authority in Islamic society and in Bedouin traditions (Bjerke & Al-Meer, 1993). Saudis have little tolerance for the activities deviating from Islamic teachings and Bedouin traditions (Bjerke & Al-Meer, 1993). Absolute right and wrong attitudes are reinforced in the Arab tribal values and any method that deviate from the acceptable norms is treated as threat to the authority and stability of Organization (Ali, 1993). The results of high power distance and uncertainty avoidance are lower tolerance for innovative ideas, fatalism, low acceptance for change, justified authority obedience, unquestionable acceptance for conventional wisdom. Within group Saudis are highly collectivist and with out-group highly individualist (non kin and guest workers). Ties between individuals are loose in out-group: limited interactions and individual accomplishments are emphasized. Same standards are applied by the managers when dealing with out-group. Importance is given to tasks rather on the relationships. Employee and employer relationships are "calculative". In within groups (tribes and extended families) from birth onward, people integrated into strong; cohesive groups are protected for their unquestionable loyalty. Group goals are set atop in front of the personal interest. Within the in-group, focused is given to co-operation, duty, group welfare, and stable social relationship behavior. In conclusion, employee-employer relationship is moral with in group and managerial style is directive but welfare-oriented.

### **2.2.3. The Role of Religion in Saudi Arabia's HR Practices**

Islamic values shape managerial attitudes and practices in Saudi Arabia. Strong emphasize is being putted on the obedience to leaders. The leaders' authority is considered right and proper and respect and obedience are expected from the subordinates. Forgiveness, kind-heartedness and compassion have been given high regard. Harmony, cooperation and brotherly relationship are emphasized in Islamic and Arabian culture (Atiyah, 1999). Atiyah, (1999) have also identified avoidance or suppress conflicts in Saudi Environment. Alhabshi and Ghazali (1994) have identified some of the core principles of Islamic values: Niyat, Itqan, Ihsan, Ikhlas, Adl, Sabar, Amanah and Taqwa, accountability, keeping promises, moderation, dedication, cleanliness, gratefulness discipline, consistency and co-operation.

Management-employees interactions are also influenced by Islamic practices. For example, Muslim managers and workers meet at least twice a day and pray together side by side irrespective of the hierarchical positions and influence. No empirical evidence has been found as the effect of daily interactions, it is fair to say that these interactions among employees and management could lessen the physical and psychological distances.

Idris (2007) argues that Islam is involved in every aspect of life. Therefore, the

management and human resource practices in Saudi organizations are influenced from Sharia Law. One important component of Sharia law is work ethics which shows that managers need to create working environment according to the cultural and religious aspects (Yousef 2000). Additionally, Islam has long shaped the value system in the Muslim society which in turn can affect how managers execute their strategies of human relations (Tayeb, 1997). In fact, Islamic work ethic focuses on improving work relations through hard work, self-satisfaction and work fulfillment (Yousef 2000; Ali 1992). Managers should consider Sharia laws when executing HR practices in organization for plausible productivity (Idris, 2007). Gender practices have an effect on the economy and human resource management as well (Metcalfe, 2007). However, according to Sharia law and in line with the current globalization, Sharia law prioritized women role in Multi-National Corporations (Hutchings, Metcalfe, & Cooper, 2010).

### **3. Discussions**

#### **3.1. Comparative Analysis of HR Practices between Iran and Saudi Arabia**

Both Iran and Saudi Arabia have Islamic culture and lots of similarities exist yet there are differences in implementation of human resource practices in both countries because of different geographical, economic and cultural scopes involved. In terms of recruitment in Iran, a continuous change in the environment has forced Iranians not to trust easily. Strangers are less trustworthy and preference is given to family oriented people. Therefore, many companies in Iran consider selection of employees informally, on the bases of nepotism, through favoritism, relatives or friends informally. They follow nepotism practice to select employees for higher managerial positions (Namazie & Tayeb, 2006), but the selection of lower staff is often done through job advert and formal agencies. Now the trends in recruitment and selection in Iran is progressively moving towards competency and potential of the applicant. However, Tayeb and Namazie (2006) believe that nepotism in Iranian companies will still be present while selecting employees because it is deeply penetrated in the culture of Iran. Selection practice in Iranian companies sometimes can be done on very informal basis such as years of experience in the related industry, cultural fit or personality traits or can be done very objectively and formally where every factor needs to go through test and assessment, while in Saudi Arabia firms in order to recruit employers use facilities provided by the Ministry of Labor which includes placing a list of available jobs with contact details on a web site established by the Ministry and advertise in regional and national newspapers. As far as the selection process is concerned, very little information is available on the procedure in which prospects are

identified, implored and selected (Mellahi, 2006). Practically, the human resource in the retail companies of Saudi Arab have to consider appropriate planning, recruitment strategies, practicable selection practices regardless of some challenges in order to stay relevant in the Saudi Arabian public interest (Walsh, 2009). On the other hand, Al Gassim et al., (2012) is of the different view, suggesting Saudi Arabia has very weak recruitment and selection systems.

In terms of training and development, Ramlall et al. (2012) found that Saudi gives a high priority to training and development. Employees are given an opportunity for orientation and training to be given on regular basis. While on other hand according to Fadhel (2007), in Saudi Arabia small and medium enterprises have no professional human resource management structures, training and development programs were executed by different structures such as the sales or finance departments in the form of on-the job training by unskilled people instead of human resource department. According to Qureshi, Ansari, and Sajjad (2013), the kingdom of Saudi Arabia takes into account that youth build the foundation and potential for underlying strength. The Saudi government has established a human resources development fund to give training to the big number of young Saudi graduate professionals from Saudi universities, and at the same time it gives permission to recruit from abroad if there is no way out (Saudi Economy, 2015). Contrariwise training in Iranian organizations is not a stepwise procedure; it is not for the purpose of personal development. The main focus of Iranian companies is on managerial courses and some technical skills which are provided by the available local classes which are given by some companies and training schools. Point to be noted is that they ignore the significance of skill development courses (Namazie & Tayeb, 2006) but MNCs in Iran have different approach towards training and development, they go for more structured training programs, which is based on performance assessment and training need analysis.

With regards to the current status of compensation and rewards in Saudia Arabia, Budhwar and Debrah (2001) compared the basis for compensation for Saudis and non-Saudis; found that the basis for compensation for the non-Saudis is cost acquired by the organization while for Saudi nationals in the public sector the basis for compensation is cost and socio cultural factors. Compensation includes financial returns, tangible services and benefits which employees receive as part of an employment connection (Milkovich & Newman, 1999). Despite many challenges the act of practicing equity in giving out rewards and compensation is another main issue for Saudi Arabia (Wiseman et al., 2000). But according to Pynes (2008), retail companies in Saudi Arabia practice attractive compensation schemes to make sure the attraction and retention of potential employees guarantee their competitiveness within the industry. Compensation strategies in Iran are different in governmental

and private companies. In Public sector benefits are prepared on routine basis and aren't dependent on merit of employees, and basic salary is lower (Namazie & Tayeb, 2006). On the other hand, salaries in private companies are high comparatively but the budget is low (Namazie & Frame, 2007). MNCs in Iran pay higher salaries when compared to public and private sector. Correspondingly, they are provided with more attractive benefits such as loans, financial reward, additional medical service, and club benefits (Namazie & Tayeb 2006).

In Iran performance appraisal is not seen as a long-term plan in order to achieve goals, and for feedback purpose. Instead it is only done in organizations in order to evaluate employee's actions (Namazie & Frame 2007). In contrast, MNCs use performance appraisal in order to motivate employees, provide them with feedback and develop them into a competent staff. The transparent performance appraisal is the main motivation tool for many employees who have their preference to work for MNCs in Iran. In Saudi Arabia, appraisal practices differ from one company to the next (Snape & Redman, 2010). Many retail entities in Saudi Arab have set a standard for appraisal procedures that give reliable and dependable fallouts on each employee performance.

### **3.2. Comparative Analysis of Influence of Religion and Culture on HR practices of Iran and Saudi Arabia**

High power distance and high uncertainty avoidance is attributed to Saudi culture's (Baxter, 1998) in-group collectivist and out-group individualist. According to Bjerke and Al-Meer (1993), high power distances in Saudi Culture are linked with respect. However, Iran has an influence from Persian and Islamist society, with this Iran has western influence as well. Iran has been classified as high power distance society where power distribution is unequal (Yeganesh & Su, 2007; House et al., 2004; Javidan & Dastmalchian, 2003). This high power attributed in Iranian history, politics, mythology, family structure and religion.

Islam symbolized certain values like respect for seniority, age, loyalty, leader obedience and taking direction, consultation in decision making with seniors in Iran. After Islamic revolution in 1979 modern HR and management techniques in Iran were affected. Work force composition was changed and women were forced out from the workforce. Namazie (2000) argues that dress code; gender segregation and women on high authority were some reason because of which women were forced out from the workforce. However, that mismanagement can be felt today as well. Now there are some prominent forces that forcing Iran for HR development for the solution of economic, society and cultural challenges. Recent researches prove that Iran is going for modernism and de-Islamization. That is why companies in Iran today recognize

the mistake of replacing ideology with technocracy. This is not to challenge the Islamic value but the current era demands for professionalism and competencies.

However, Islamic values shape managerial attitudes and practices in Saudi Arabia. Strong emphasis is being put on the obedience to leaders. The leaders' authority is considered right and proper and respect and obedience are expected from the subordinates. Forgiveness, kind-heartedness and compassion have been given high regards. Harmony, cooperation and brotherly relationship are emphasized in Islamic and Arabian culture (Atiyyah, 1999).

#### 4. Conclusion

The pressure from the external and internal environment is making Iran to respond to the challenges of HRM. Some of these factors include internationalization, globalization, fair competition, technology advancement, educated workforce, job creation, training and development and so forth. Government response is through modifying laws, privatization, creating professional bodies, better links for international education, enhancement in training and development and so forth. Systematic approach for HRM is developing through procedures and practices being created. This relates to all functions of HR inducing compensation, recruitment and selection, training and development, performance appraisal and promotion criteria. The major challenges that Iran are facing is having integrated HRM system. If HRM works in isolation in organizations and companies, they will not be effective in bringing the change needed in the Iranian business development environment.

National cultural and socio-politico-economic conditions regulate HRM system. High power distance, in-group collectivism, Arab tradition and Islamic values in Saudi Arabia have an impact on managers' attitude towards delegation of authority to lower levels in their organizations and ways of interaction with employees. High power distance among Local managers and foreign employees is reflected in decision making process and designed HRM policies rigidly. In-group collectivism, family and friends loyalty to organization has influence in HRM practices. Islamic values and principles influence are manifested in consensus decision-making styles, authority respect and age and concern for the welfare of employees and society.

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