



# Standardization and localization of HRM in Western MNCs in Iran



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Master Thesis

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## **Acknowledgement**

This research is the final thesis of Master of Science in Business Administration: International Management. The main goal of this dissertation is to illustrate the circumstance of HRM in MNCs Iran, especially Western MNCs and whether HRM practices in these companies are implemented the same as the parent company's standards, or they are localized due to national context of Iran.

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## **Management Summary**

For 30 years, all the information the world had about Iran has been limited to Media broadcasts of the government's policies of Iran. After Islamic revolution (1979) Iran has been isolated from international environment. Therefore, literature regarding the Iranian organizations and HRM in Iran are found hardly. This research tries to provide some information about implementing HRM in Western MNCs in Iran and difficulties they have, by formulating a question below:

'How do Western MNCs deal with standardization and localization of HRM in Iran MNCs? And why?'

The theory demonstrates HRM is context specific and it is influenced by both macro and micro variables. Hence, HRM policies and practices can be localized, integrated or standardized when they are transferred by a multinational company to its subsidiaries in other countries due to macro and micro variables. In this research, the national context of Iran such as culture, economy, demography and policy are presented to illustrate how national factors, as macro variables, could affect implementation of HRM in MNCs Iran. Aside from macro variables, some organizational variables like head quarter control and equity ownership of the parent company are effective micro variables in determining the mode of HRM in MNCs. It is concluded based on the theories that each HRM practice in MNCs Iran possibly has one of the three modes of localization, integration and standardization.

To answer the question above, Unilever was used as a single case study. The researcher had semi-structured interviews with HR director and HR vice president of Unilever Benelux in the Netherlands and also HR director, HR specialist, Supply chain supervisor and demand planning manager in Unilever Iran to compare the information whether Unilever Iran implements the same HRM practices. The researcher just considered four HRM practices of recruitment, training, performance appraisal and compensation system. In addition, the researcher conducted an interview with the HR vice president of Unilever (Turkey, Iran and Central Asia) to find out what challenges they face in implementing standard HRM in Iran and how they bring out solutions.

The result illustrates that each HRM practice differs in the mode of standardization and localizations. Also, Each HRM practice is divided to other practices or elements. Each of these elements in Unilever Iran is considered due to being standard, localized or integrated. The research shows that most of these elements are standardized and integrated, which states that Unilever was successful in applying the constant structure among its subsidiaries. In other words, Unilever Iran applies the standard macro policies of HRM, but they use integrated approach in practices. Moreover, the results express that Unilever has some difficulties due to sanctions and some policies that mainly relate to the government and its policies directly and

directly. Also, they have a few problems with people's mindset towards promotion, payment and training in Unilever Iran which can be traced back to traditional background of people.

Considering standardization and localization of HRM in Iran highlights the significant role of computer and Intranet in HRM. Iran is sanctioned by U.S; therefore many computer programs may not be used. Thus, the researcher recommends applying the role of technology as one of the main factors of standardization and localization of HRM for further research. Moreover, the researcher could just consider one Western multinational company which is not sufficient for evaluating HRM standardization and localization in case of a country like Iran. As a result, it is suggested to conduct more research in MNCs Iran and also other companies in Iran to bring out more complete description of HRM circumstance in Iran.

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### **Abbreviations**

CEO: Chief Executive Officer

HR: Human Resource

HRM: Human Resource Management

MBO: Management by Objectives

MNC: Multinational Corporation

MNE: Multinational Enterprise

PDP: Personal Development Plan

SC: Supply Chain

SHRM: Strategic Human Resource Management

SOL: Standards of Leadership

VP: Vice President

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## 1. Introduction



The emergence of globalization leads to the increased number of Multinational Corporations (MNCs). MNCs play an important role in developing countries because they contribute to economic growth and poverty removal. The prosperity of these companies in the global business significantly depends on the quality of managing human resources due to its diversity and mobility. Selecting the right people who match with the right jobs is a global goal (Hou et al. 2002). MNCs in such countries deal with the challenge of how to manage their human resources. They should make a decision whether they act similar to the parent companies' standards in order to be in harmony with international business, or to respond to local requirements. Therefore, this challenge has opened the standardization vs. localization discussion among authors.

There is an expansive literature concerning the standardization vs. localization debate, but most are related to Western European and Eastern Asian countries. While there is a great amount of potential in the Middle East, the region is ignored by scholars due to the difficulty of access to these countries. For years, most of the Middle Eastern countries significantly depend on their natural resources, especially oil. In fact, they prepare more than 60% of the world's oil (Budhwar and Mellahi 2006). Thus, they did not feel the need of economical progress. In addition, this region is mainly embedded by traditional and Islamic beliefs that isolate them from international interactions. In contrast, currently this region understands the urgent need of economical growth and the importance of international trade. Thus, they have opened their boundaries to the international companies.

This research is going to examine the standardization and localization debate in one of the Middle Eastern countries: Iran. Iran is a great country, due to its geographical situation it's endowed with an abundance of natural resources. Iran's population is 70 million, of which, over 70 % are under the age of 30. Most Iranians are educated but because of the mismanagement and political turmoil caused by the current government, they immigrate to other countries. However, Iran is still an important country in the region, which cannot be overlooked by investors who want to be powerful in the Middle East (Namazie and Tayeb 2006), Thus, this country is worth researching. Human resource management (HRM) is relatively a new concept in Iran and it is not perceived as a competitive advantage in governmental and private organizations. However, gradually, the growth of MNCs in Iran has contributed to transformations of companies' perceptions towards strategic HRM. Although MNCs in Iran are known to be more qualified in HR issues than other private and public companies, they are not free of local matters. Western and Eastern MNCs in Iran like other MNCs around the world deal with difficulties of standardization or localization of HRM policies and practices. Therefore, it is needed to research about standardization and localization of HRM in Iran's MNCs and how they overcome it. In this thesis, it is going to

describe how Western MNCs in Iran handle the challenges of standardization and localization of HRM practices.

### **1.1. Objectives**

The goal of this research is to explain how Western MNCs in Iran carry out each HRM practice of recruitment, training and development, performance appraisal, and compensation. In other words, this research is going to explain how the parent company and its subsidiary in Iran agree over standardization and localization of HRM. Furthermore, the difficulties of applying the standard HRM in Iran are going to be discussed.

Once the government liberates the market and interacts with international society more Iran has a great potential for foreign direct investments (FDI). This research is going to provide some information about HRM policies and practices in Iran for authors and foreign investors who have been interested in Iran, but have lacked access due to the difficulties of getting into the Iranian organizations. Additionally, this research contributes to the expansion of the debate of standardization and localization beyond the current countries that have been mainly focused by authors.

### **1.2. Problem statement**

This research first is going to find out whether HRM practices (personnel selection and recruitment, training and development, compensation and performance appraisal) in Western MNCs in Iran are localized or standardized. In addition, the difficulties of standardization and localization of HRM practices in Western MNCs in Iran and how they manage them will be presented. Therefore, the research question is formulated:

*How do Western MNCs in Iran deal with standardization and localization of HRM practices? Why?*

To respond to this question, it is needed to formulate sub-questions. These sub-questions are brought out in the following section.

### **1.3. Research question**

As this research follows the debate of standardization and localization of HRM, it should be defined as standardization vs. localization first. Then, it should be understood the connection between standardization vs. localization and HRM. Particularly, we need to determine the current situation of HRM in Iran MNCs and the variables which have influence over it because it contributes to the understanding of difficulties that MNCs deal in Iran. Thus, the following questions are offered:

1. What is standardization and localization?
2. How do standardization and localization relate to HRM?
3. How is HRM perceived in Iran?
4. What factors affect standardization and localization of HRM in Iran?
5. How do MNCs in Iran implement HRM practices?

#### **1.4. Research Strategy**

This is descriptive research because it expresses how Western MNCs in Iran react to standardization and localization of human resource management practices (personnel selection and recruitment, training and development, compensation, and performance appraisal). The research strategy is a single case study. Unilever was used as a case study to find out whether the implementation of HRM practices in Iran subsidiary is standardized or localized and how they manage the implementation of these HRM practices. It was needed to be in contact with both the parent company in the Netherlands and the subsidiary in Iran to compare the results. The research is based on qualitative data gained through a semi-structured interview with employees of Unilever in Iran, in the Netherlands and also regional head-quarter in Turkey.

The Researcher used deductive reasoning. Collected data from interviews were summarized as well as analyzed. This process is based on the research model that developed from theories reviewed in the literature to conclude that if HRM in Iran MNCs is standardized or localized. Moreover, by regarding the theories, the reasons of standardization, localization and integration modes in Western MNCs in Iran are identified.

#### **1.5. Thesis structure**

This thesis includes three main components: literature review, research methodology, and finally analysis and conclusion. The first part which is related to chapter 2 is literature review explains the concept of convergence vs. divergence and the authors' opinions regarding this debate. Then, the convergence vs. divergence debate is narrowed to standardization and localization of HRM. Furthermore, what extent HRM has been developed in the Middle East, primarily in Iran is then depicted. In chapter 2 the effects of national factors of Iran on HRM are also specified, and how MNCs in Iran implement HR practices under the influence of national context and some organizational variables. Finally, in the last part of chapter 2 a research model is introduced based on the literature review.

The second component to the thesis is about the research methodology that is described in chapter 3. In this section, the methods and techniques that are used for collecting and

analyzing data are described. Further, the reasons of choosing these methods and techniques are made clear.

The final component is the data analysis and conclusion. Chapter 4 illustrates both the case and the data collected through the case study. Then, the data are analyzed through the categorization process based on the research model and the result compared to the theories in discussion section. At the end, chapter 5 includes the conclusion, reflections, limitation, and future research.

## **2. Literature review**

In this chapter, the literature done by scholars regarding convergence and divergence is discussed. Then, the debate is narrowed to standardization vs. localization of HRM. Afterwards, the extent of progression of HRM, theoretically and practically in Iran is clarified. Subsequently, national factors of Iran are considered as macro factors which affect standardization and localization of HRM practices. With consideration of organizational variables as Micro variables, the international business in Iran and how MNCs implement HRM practices is then expressed. In the final section, the research model is fully developed.

### **2.1. Convergence and divergence**

Appearance of globalization and presence of multinational companies have brought the debate of convergence and divergence since the 20<sup>th</sup> century. In early years the debate was focused only on convergence in one hand and divergence in another, but it was criticized due to its simplification. Thus, the debate was extended; it is believed that both convergence and divergence should be studied together and they can integrate to bring a new concept of crossvergence. After a while, McGaughey and De Cieri (1999) developed the debate to four modes of convergence and divergence that are dynamic.

Convergence can be defined briefly as 'increasing similarity' (McGaughey and De Cieri 1999). Convergence theory was first shaped on the technological progress and industrialization. Hence, it was said that the growth of technology and knowledge in the world had brought the same value among different countries. Here Weber attempts to describe convergence: "technological influence is the catalyst that motivates individuals to develop a value system that is consistent with the technology of their society, regardless of the socio-cultural influences" (Webber 1969). Early theorists believe that other countries are going to imitate American political and economical pattern due to its advanced technologies (Kerr, et al. 1960). Supporters of the convergence phenomenon perceive one managerial pattern as the 'best practice' which bring competitive advantage for companies. For example, 'lean production' was seen as one of the best practices for a while, that companies needed to implement if they desired to become successful in the competitive environment (Rowley and Benson 2000). In other words, convergence insists on uniformity around the world due to internationalization and globalization. Challengers of convergence theory state that a universal pattern for all countries without considering cultural, social and economical factors is over simplified. In other words, it could be explained based on Child (1981) that developers of convergence theory solely concern macro factors such as: globalization and technology. Therefore, they overlook the micro factors like people's interaction and organizational behavior in a company.

Divergence means 'becoming dissimilar' (McGaughey and De Cieri 1999). Divergence theory is explained through cultural distance and institutional theory.

Cultural debate states a uniform managerial pattern is not applicable for every country due to cultural differences. It is probable that some practices are correctly interpreted in multiple countries, but they also could easily be misunderstood. For instance, Management by objectives (MBO) is an accepted western pattern that is perceived negatively by the Chinese (Khilji 2002). Cultural approach firstly was developed by Hofstede (1980), who believes there is no one uniform solution for all organizational and managerial difficulties. Hence, People from different countries react dissimilar to this solution due to their national culture. It is said by skeptics (Kirkman and Shapiro 1999; Mueller 1994) that the cultural influences have been over-emphasized because of the fact that culture and values in a society is not constant, and they change over a time. For example, some changes like deregulation in some countries has decreased cultural influences (Ohmae 1990).

According to institutional theory, social and economic structure in each country forms the social behavior. Managerial practices not only should be conformed to the culture of each nation, but also it has to be in harmony with institutional factors like social norms and governmental rules. As Morishima (1995) argued it is not possible to understand the different parts of the system without considering its social context. Institutional theory itself could not escape criticism either. Rowley and Benson (2000) claimed that this theory overlooked the conflicts existed among practices within a society. Furthermore, institutional theory did not address the role of the change of the social norms and rules.

Recently, the debate of crossvergence has been introduced. Ralston et al. (1997) believes that convergence and divergence concepts are too extreme. Crossvergence is an integration of the two national cultures that brings a new value system. Ralston, et al. (1993) defines crossvergence as integrated values 'in between' the two nation's values, while new researchers developed the definition to 'something different'. That is, the new value system is not entirely supported by either nation and it is something unique, a compromise. It can be defined through the variables that lead to crossvergence. As stated by Child (1981) assessing Macro-level variables like industrialization dominantly leads to a convergence result, and micro-level variables like employees' behaviour conclude to divergence, but Rousseau and House (1994) claim that judging just based on micro and macro level variables is too simplified. Thus, they introduced a new level: 'Meso' which is an integration of macro and micro level variables. Meso defined by Rousseau and House (1994) is: "an integration of micro and macro theory in the study of processes specific to organizations which by their very nature are a synthesis of psychological and socioeconomic processes." It can be concluded that crossvergence is a result of considering 'meso' variables.

Lately, another view was developed by McGaughey and De Cieri (1999). They recommended that convergence and divergence influences should be assessed through longitudinal research at all three levels of macro, micro and meso variables simultaneously, because these variables are dynamic and they change over time. McGaughey and De Cieri argue that multinational companies do not experience only divergence and convergence modes. Based on the amount of variables' influences, MNCs may react differently in four modes of convergence and divergence: Integration, assimilation, separation, and novelty.

Integration is a distinctive value system supported by both national cultures. Assimilation happens when an organization loses its core characteristics and gains other's norms. It is the same as convergence in definition. Separation, which can be defined like divergence, happens once an organization desires to maintain its own values and refuse new alternatives. The last mode is novelty, which is free from all core characteristics, alternatives and cultural factors (Khilji 2002). But the fact is no evidence has been found to show that an organization may be in a real novelty mode (McGaughey and De Cieri 1999). These four types of modes have been illustrated in figure 1.

		<b>Preservation of core characteristics</b>	
		<b>YES</b>	<b>NO</b>
<b>Attractiveness of alternatives</b>	<b>YES</b>	<b>Integration</b>	<b>Assimilation</b>
	<b>NO</b>	<b>Separation/ Maintenance</b>	<b>Novelty</b>

**Figure 1.** Modes of convergence, divergence and maintenance based on McGaughey and De Cieri (1999)

To conclude, the earliest literature was just focused on convergence and divergence as two opposite poles that could not be combined together. Recently, it is claimed that besides the two models of convergence and divergence, another mode is crossvergence, the integration of both convergence and divergence. In addition, the above review of the literature represents that the exhaustive research of convergence vs. divergence includes all three sets of variables:

economical and contextual variables, socio- cultural variables like national culture, and organizational variables like the parent company's policy (Khilji 2002).

In the next section, the debate of convergence and divergence is narrowed down to standardization and localization.

#### **2.1.1. Standardization and localization**

While the convergence vs. divergence debate is mainly referred to the macro (country) level, the standardization vs. localization dialogue is mostly related to the meso (company) level (Pudelko and Harzing 2007). Many Multinational companies must make a decision whether to manage their subsidiaries based on a host country's principles, or to be managed by a different set, and furthermore decide which route is more effective and efficient for them. MNCs are perceived as tools that convey globalization, managerial knowledge, and spread best practices around the world (Martin and Beaumont 1998). These MNCs face the complexity of institutional factors in host countries that counterbalance the effect of standardization (Quintanilla and Ferner 2003). In other words, Farley et al.(2004) explains that MNCs deal with 'push-pull' influences. Push effects can be described when a parent company pushes its policies and practices to the subsidiaries. In contrast, pull effects regards to localized influences that avoid standardization in subsidiaries. Several authors conclude different factors that contribute to push-pull influences. As mentioned above many supporters of convergence look for the best practice which is applicable in all organizations. Chen and Wilson (2003) state standard practices among parent company and subsidiaries bring coherence and it leads to efficiency. Lu and Bjorkamn (1997) discuss how non financial contributions like technology, skill, and know-how from the parent company increase the probability of standardization. Also, they conclude that the increasing number of expatriates in subsidiaries is a push influence because of the fact that expatriates are knowledgeable carriers from the parent company. Chen and Wilson (2003) claim that, the experience of the MNCs with internationalization in different environments assist them to create successful standardization. While some factors have the push effect, there are others that lead to the pull effect. These factors mostly relate to the cultural and legal distance. In addition, Chen and Wilson (2003) state some local managers have more power and control over a subsidiary than top management due to the access of the local labor market, distribution channel, and expertise. Hence, these sort of multinational enterprises (MNEs) step towards localization. Moreover, the topic of experience is applicable in host countries. That is, the local managers of host countries, that yield a broad experience or history in MNEs, have more power.

Conclusively, the debate of standardization and localization is narrowed down to the organizational and the meso level. The meso level is the middle ground of macro and micro levels, which is described in the previous sector. Thus, once standardization vs. localization is



studied, it is needed to consider macro variables, like national context, and micro variables, like organizational factors, together.

In the next section, the world of standardization and localization is brought in contact with HRM.

### **2.1.2. Standardization and localization of HRM**

Today, human resource management is one of the most important managerial aspects in internationalization. As Schuler and McMillan (1984) mention, human resource management is at a great competitive advantage due to the difficulty of imitating it. HRM has its own unique characteristics that can't be overlooked in international studies. First, HRM mainly depends on national culture and has its own regional characteristics (Brewster 1995). Second, HRM is one of the main factors of the prosperity in internationalization (Harzing and Ruysseveldt 2004). Finally, HRM interacts directly with people and it's affects on peoples' behavior (Chen and Wilson 2003). Thus, by increasing the importance of HRM in international business the amount of literature focused on human resource management (HRM) policies and practices regarding the standardization and localization debate have significantly grown. The literature mainly discusses the factors that lead to HRM standardization vs. differentiation and also, the transferability of HR practices from a home country to a host country (Tayeb 1998; Lu and Bjorkman 1997).

The point is some HRM practices are carried out with more differentiation than other practices between parent company and subsidiary, as Lu and Bjorkman (1997) state "different HRM practices often have different levels of MNC standardization and localization". Leat and El-kot (2007), in their research about Egypt, also find out that most of HRM practices are compatible with socio-cultural context, while some practices are culture free. For example, it seems that countries have more compatibility in recruitment and training programs rather than in other practices like promotion and appraisal performance (Namazie 2003). Lu and Bjorkman (1997) discuss how specific factors correlate with specific practices. For instance, the mode of establishment of subsidiary in the host country influences the recruitment and training practices applied in subsidiaries. Another example is when non-financial contributions from the parent company can bring more control for the parent company, to handle some practices such as: promotion, appraisal and financial compensation.

An additional view was developed by Becker and Gerhart (1996). They classified the HRM system to three levels: first, the system architecture which includes fundamental conjectures and values. Second, HRM policies which is in consistent with HR architecture and in harmony with environmental and oragnizational values. Third, practices that are impelemented based on system architectures and policies. Becker and Gerhart explain that the convergence effect is

most expected at the first level. This effect decreases when we go down in levels, and differentiation is perceived more at the second and third levels.

According to the literature explained above, the main differentiation is among HRM practices rather than policies. Additionally, the frequency of the differentiation varies from one practice to another. Some HRM practices are more influenced by national and organizational factors, while others are constant. Therefore, the effect of standardization and localization of each HRM practice should be considered separately.

To research standardization and localization of HRM in Iran, first it's needed to understand the circumstances of HRM in Iran. That is, to what extent HRM was considered academically by scholars in Iran, and also how companies perceive and implement HRM practically. Afterwards, it is needed to bring out the factors that are influential on HRM in Iran for completing the debate of standardization and localization of HRM in Iran. Therefore, In the following section, studies conducted about HRM in the Middle East and Iran is expressed. Then, the factors influencing HRM in Iran is discussed.

## **2.2. The development of HRM in the Middle East in case of Iran**

In order to consider the HRM and its development in Iran, first the studies about HRM in Middle East and Iran are identified. Then, the efforts done by Iranian organizations to develop strategic HRM are described.

### **2.2.1. Studies Identification**

It is wondered to what extent studies focusing on HRM in Middle East and Iran have been conducted. Thus, search engine like Scholar Google ([www.scholar.google.com](http://www.scholar.google.com)) and ISI Web of Knowledge (<http://isiknowledge.com/JCR>) were used to find out the amount of research carried out in the Middle East region. The books and conferences in this regard were excluded. The search was done among the top twenty of scholarly International Managerial Journals (Caligiuri 1999): The Journal of International Business studies, The Journal of International Management, Academy of Management Journal, Academy of Management Review, Human Resource Management, Management International Review, Asia Pacific Journal of Human Resources, Journal of World Business, Journal of Applied Psychology, Journal of International Management, Academy of Management Executive, International Journal of Intercultural Relations, Human Resource Management Journal, Administrative Science Quarterly, Journal of cross-cultural Psychology, International Business Review, Journal of International Compensation, Journal of Management, European Management Journal, and International Journal of Selection and Assessment. Besides the term HRM in Iran and Middle East, other terms such as recruitment, training and development, performance appraisal, and compensation were considered. Also, other countries in the Middle East such as Oman, UAE,

Saudi Arabia, and etc. were regarded. A total of 18 articles related to HRM in the Middle East were found, among which Turkey has the most articles (3 out of 12). Then, Iran, UAE, Jordan, and Oman with 2 articles stand. Year limitation was not applied. The result showed that there are a few literature findings belong to the 21st century which illustrate the fact that HRM in Middle East and Iran is a new concept compared to Western countries. The articles found are illustrated in table 1 below. All of the eighteen found articles belong to the International Journal of Human Resource Management among of these twenty journals.

**Table 1.** HRM & Middle East

No.	year	Journal name	Article & Authors	Country focused
1	2010	International Journal of Human Resource Management Volume: 21 Issue: 1 Pages: 84-108	Title: The overlooked variable in managing human resources of Iranian organizations: workforce diversity - some evidence Author(s): Soltani, E	Iran
2	2010	International Journal of Human Resource Management Volume: 21 Issue: 9 Pages: 1490-1511	Title: Converging human resource management: a comparative analysis of Hungary and Turkey Author(s): Aydinli, F	Turkey
3	2007	International Journal of Human Resource Management Volume: 18 Issue: 1 Pages: 159-171	Title: Developments in human resource management in Iran Author(s): Namazie, P; Frame, P	Iran
4	2007	International Journal of Human Resource Management Volume: 18 Issue: 1 Pages: 54-74	Title: Gender and human resource management in the Middle East Author(s): Metcalfe, BD	Middle East
5	2007	International Journal of Human Resource Management Vol. 18 Issue 1, p2-10	Title: Introduction: human resource management in the Middle East. Author(s): Budhwar, Pawan; Mellahi, Kamel.	Middle East
6	2007	International Journal of Human Resource Management Volume: 18 Issue: 1 Pages: 33-53	Title: Emiratization as a strategic HRM change initiative: case study evidence from a UAE petroleum company Author(s): Rees, CJ; Mamman, A; Braik, AB	UAE
7	2007	International Journal of Human Resource Management Volume: 18 Issue: 1 Pages: 147-158	Title: HRM practices in Egypt: the influence of national context? Author(s): Leat, M; El-Kot, G	Egypt
8	2007	International Journal of Human Resource Management Volume: 18 Issue: 1 Pages: 100-113	Title: Management of human resources in Oman Author(s): Al-Hamadi, AB; Budhwar, PS; Shipton, H	Oman

No.	year	Journal name	Article & Authors	Country focused
9	2007	International Journal of Human Resource Management Volume: 18 Issue: 1 Pages: 11-32	Title: Cultural orientations and preferences for HRM policies and practices: the case of Oman Author(s): Aycan, Z; Al-Hamadi, AB; Davis, A, et al.	Oman
10	2007	International Journal of Human Resource Management Volume: 18 Issue: 1 pages:85-99	Title: The effect of regulations on HRM: private sector firms in Saudi Arabia. Author(s): Mellahi, Kamel	Saudi Arabia
11	2007	International Journal of Human Resource Management, Jan2007, Vol. 18 Issue 1, p75-84	Title: Dimensions of performance appraisal systems in Jordanian private and public organizations. Author(s): Abu-Doleh, Jamal; Weir, David.	Jordan
12	2007	International Journal of Human Resource Management, Jan2007, Vol. 18 Issue 1, p114-131	Title: HRM in Israel: new challenges.Full Text Available Author(s): Tzafrir, Shay S.; Meshoulam, Ilan; Baruch, Yehuda	Israel
13	2007	International Journal of Human Resource Management, Jan2007, Vol. 18 Issue 1, p132-146	Title: Employment creation and localization: the crucial human resource issues for the GCC.Author(s): Harry, Wes.	Gulf countries
14	2006	International Journal of Human Resource Management Volume: 17 Issue: 12 Pages: 2074-2090	Title: The impact of human resource management practices and corporate entrepreneurship on firm performance: evidence from Turkish firms Author(s): Kaya, N	Turkey
15	2006	International Journal of Human Resource Management Volume: 17 Issue: 4 Pages: 648-672	Title: HRMization in Turkey: expanding the rhetoric-reality debate in space and time Author(s): Ercek, M	Turkey
16	2004	International Journal of Human Resource Management Volume: 15 Issue: 1 Pages: 219-244	Title: Job analysis: a strategic human resource management practice Author(s): Siddique, CM	UAE
17	2003	International Journal of Human Resource Management Volume: 14 Issue: 7 Pages: 1284-1295	Title: Cultural control and multinationals: the case of privatized Jordanian companies Author(s): Al-Husan, FB; James, P	Jordan
18	2002	International Journal of Human Resource Management Volume: 13 Issue: 2 Pages: 232-253	Title: Modes of convergence and divergence: an integrative view of multinational practices in Pakistan Author(s): Khilji, SE	Pakistan

### **2.2.2. The progress of HRM in Iran**

While developed countries perceive strategic human resource management (SHRM) as a competitive advantage, developing countries have different views towards human resource management (Namazie 2003). Developing countries such as Iran mainly implement basic administrative personnel tasks as human resource management, such as: hiring staff and getting employees to do their job efficiently (Namazie & Frame 2007). Therefore, this lack of SHRM in Iranian companies leads to dissatisfaction and deficiency in motivation and trustful evaluation. In fact, many companies in Iran see HRM as a cost rather than an investment. Mismanagement, shortage of Farsi literature, and lack of customized model of HRM in the context of Iranian culture contribute to the deficiency of SHRM (Bidmeshgipour 2009). In 1966, the foundation of management and employment organizations, and also the endorsement of employment law was the first step in implementing appropriate human resource management in governmental organizations (Bidmeshgipour 2009). It could be said that HR in the organizational sectors in Iran was one of the most up-to-date ones in the Middle East until 1979 (Namazie and Tayeb 2006). After revolution everything changed and employees were selected based on their ideology and relationships rather than their performance and competencies. Many professionals immigrated to other countries and the role of women in high ranking positions decreased (Namazie and Tayeb 2006).

Previous years, Iran began to change and it stepped towards modernization and de-Islamization (Namazie and Tayeb 2006). The presence of women in higher education and businesses is increasing. The consequences of two decades of unprofessional conduct in organizations are understood. The Iranian organizations know that they need to develop their human capital if they desire to compete in the global era. Also, the appearance of MNCs in Iran gradually leads to the improvement of HRM in Iran. Iranian employees prefer to work at MNCs because such companies pay more attention to human resources and keep them motivated. Thus, Private and organizational companies were forced to improve their HRM comparing to MNCs. HRM is a relatively new concept in Iran and some efforts were made to familiarize organizations with HRM. For example, Iran held its first HRM conference in 2003 and since then it has been held annually (Namazie and Frame 2007). Furthermore, the government established some modernization plans which focused on economy and human resources (Namazie 2010). Albeit of these efforts, the rate of HRM development is too sluggish on the ground that the benefits are not transparent for people. In addition, the turbulent economical and political environment of Iran has brought more difficulties in implementing SHRM. Namazie and Frame (2007) state that the development of HRM faces three challenges in Iran: first, instable business environment because of the fact that Iran is unpredictable and rules change every day. Second, national culture which leads to resistance to execute SHRM and the last difficulty has isolated work force from international environment which leads to lack of multi-skilled employees. They

discuss that the pace of HRM development in Iran depends of the rate of the transformation of these challenges.

In the following paragraphs, the execution and progress of each HRM practice in three private, organizational and multinational companies is explained briefly.

#### *Recruitment and personnel selection*

Unpredictable environment enforces Iranians not to trust easily. They are family-oriented and they do not trust strangers easily. Thus, many Iranian companies select their personnel through their friends or relatives in an informal way. Nepotism mainly is perceived in selecting higher positions like managers (Namazie and Tayeb 2006), but the lower ranks of workforce often are gained through formal agencies and advertising.

The main criteria for selecting workforce in governmental organizations are experience and the place of education. Even in the early years after revolution, applicants were asked about their religion beliefs in some governmental companies; however, this has decreased over the years. Private companies are more informal and flexible towards their selection and relationships are more important than competencies (Namazie and Tayeb 2006).

The selection in MNCs is more structured and is based on job description (Namazie and Frame, 2007), but the criteria for selection are different in Western and Eastern MNCs. Western MNCs notice individual's potential, competencies and skills, while Eastern MNCs look for experienced workforce (Namazie and Tayeb 2006).

#### *Training and development*

Training in Iranian organizations is not a systematic program for personal development and based on training needs analysis. Iranian companies mainly focus on managerial courses and some technical skills through the available local classes that are hold by some companies and training schools. The important point is they ignore the need of skill development courses for employees (Namazie and Tayeb 2006).

MNCs provide more structured training programs based on training need analysis and performance assessment. Besides, they access to international training programs and they provide different modes of training plans like workshops, courses, on the job, or off the job programs for the human resource.

#### *Performance appraisal*

Performance appraisal is done in organizations in Iran for only evaluating the employees' actions. Performance appraisal is not seen as a long-term plan for setting goals and giving feedback to employees. Sometimes performance appraisal brings more dissatisfaction in Iranian organizations on the ground that it is conducted subjectively by the superior. Besides, the relation between the performance and payment is not clear. Hence, many subordinates

think that superiors are not fair and that relations are more important than actions (Namazie and Frame 2007).

In contrast, MNCs use performance appraisal as a motivator tool to give feedback and develop competencies in staffs. The clear performance appraisal is the main motivation for many people who prefer to work for MNCs in Iran.

#### *Compensation and rewards*

Compensation strategies are different in governmental and private companies. In governmental organizations, the basic salary is lower but they provide a lot of benefits and rewards for their employees, but these benefits are prepared regularly without considering the merit of employees. These benefits include social security, food, housing, education, and clothing (Namazie and Tayeb 2006). Employees of governmental organizations take advantages of these benefits and seek life employment, but the system is too bureaucratic.

Private companies offer higher salary but they are more conservative in paying rewards due to their low budget (Namazie and Frame 2007). The structure of private companies is more flexible and people are more comfortable. Besides, it has more opportunities for employees to grow compared to governmental companies.

MNCs compared to the Iranian companies pay higher salaries. Also, they provide more appealing benefits such as financial rewards, loans, additional medical service, and club benefits (Namazie and Tayeb 2006).

All in all, the appearance of MNCs in Iran leads to the better understanding of HRM essence. Hence, private companies, as well as organizational companies make some efforts to improve their HRM strategies, though this progress is not as fast as Western countries. In the following sections, the factors that lead to different HRM perception and implementation in Iran are described.

### **2.3. Iran national context**

Iran is one of the most significant countries in the Middle East due to its strategic geographical situation and natural resources. It is located between the Caspian Sea, the biggest lake in the world, and Persian Gulf; two of the major sources of Oil and gas. Iran has been isolated from international environment since Islamic revolution. Thus, the major information about Iran known to people around the world comes from media. On the other hand, Iran is a complicated and distinctive country due to its historical, cultural and political background and it needs to be considered deeply (Yeganeh 2009).

HRM has context-specific nature, which can be fully understood by examining the effects of major factors (Schuler et al. 2002). Beechler and Yang (1994) state that the transferability of

HRM practices from MNCs to their subsidiaries mainly depends on three factors: home country of MNC, factors of the host country, factors related to the company itself. In this section, national context of Iran as a host country, the factors and its effect on HRM is described.

In the following paragraphs, Iranian history, culture, and policy is going to be discussed, also their effects on HRM will be considered.

### **2.3.1. Demography**

According to Statistics Center of Iran (2010), the population of Iran is 74,733,230. The official language in Iran is Farsi. Other languages like 'Turkish', 'Luri' and 'Kurdish' are spoken by other ethnic groups in Iran as well. According to The CIA World Fact Book, estimates are as following: Persian and Farsi dialects 58%, Turkish and Turkish dialects 26%, Kurdish 9%, Luri 2%, Balochi 1%, Arabic 1%, Turkish 1%, other 2% are spoken. However, all of these ethnic are known as Iranian, and they are taught Farsi as the official language in schools. Besides, the dominant religion in Iran is Islam. 98 percent of Iranians are Muslim which includes both Shia (89%) and Sunni (9%). The remaining 2 percent of the population consists of Christian, Zoroastrian, Jewish, and Baha'i minorities.

About 68 per cent of Iranians live in the cities and urban areas (FACTBOOK 2010). The majority of citizens in big cities are immigrants from rural areas and small cities. Iran is a young country since 70 percent of the population is under the age of thirty (Namazie and Tayeb 2006) and more than 79 percent (male: 86%, female: 73%) of Iranians are literate (FACTBOOK, 2010), but Iran suffers from high rate of unemployment and "brain drain". Regarding to International Monetary Fund (2010), Iran has the highest brain drain rate in the world due to economical, social and political pressures. The cost of brain drain on Iran's economy is 50 billion USD annually (Iran Economic 2010). Brain drain is one of the key issues that put pressures on many companies and MNCs to change their HRM policies and they follow more retention policies to keep their talents.

### **2.3.2. History and policy**

Ehteshami and Zweiri (2007) state that five political situations have influenced Iran dominantly: "the traditional patriarchy of the Qajar era, democratic parliamentarianism of the constitutional era, modernizing autocracy of the Pahlavi era, revolutionary ideology of the Islamic Republic, and the end of the democratic pluralism of the reform movement".

Iran was ruled by monarchy for 2500 years with more than 400 kings (Shah) and 46 dynasties (Kasravi 2009). In the 1905-6, during Qajar dynasty, by building parliament constitutional revolution occurred. The purpose of people advocating constitutional government was limiting the power of the kings (Kasravi 2009). However, after Qajar dynasty, Pahlavi dynasty took the



power and they ignored the parliament decisions and interfered in legislation, although people desired to reduce the kings' influence by augmenting parliament. Finally, the Islamic Revolution in 1979 put an end to 2500 years of monarchy. Since Islamic Revolution, politics in Iran have been unpredictable. After revolution religion has played a considerable role in Iran's politics, society, public and private life of people (Namazie and Tayeb 2006). After a while, two main Islamic parties were formed: conservatives and reformists. Conservatives try to maintain Islamic values, while reformists believe in reforms to respond to current problems in the society in Islamic Republic (Namazie and Tayeb 2006). Following the revolution, Iran and Iraq war for about 8 years (1980-8) brought more difficulties and devastation. Iran not only suffered from broken economy, but also was isolated from the international environment. Subsequently, Ayatollah Ali Akbar Rafsanjani was elected as president. He tried to recover economical situation by the assistance of Islamic countries. At that point, Iran needed other countries to improve its economical situation. Firstly, Rafsanjani focused on Islamic countries and some countries from Soviet Union and China. Thus, the years (1989-1997), of Rafsanjani's presidency, who recuperated Iran's Economy, is named 'Pragmatic-reconstruction' period (Ehteshami and Zweiri 2007). In 1997, Mohammad Khatami one of the reformists, was elected by majority of Iranian people as a president of Iran. Khatami and his cabinet have been called '2nd Khordad movement'. During presidential period of Khatami social restrictions were reduced. People expressed their thoughts and feelings freely (Ehteshami and Zweiri 2007) & (Namazie and Tayeb 2006). Khatami has been recognized by United Nation (UN) for the proposal of 'dialogue of civilization' (Ehteshami and Zweiri 2007). He expanded the boundaries of relations from Muslim countries to other countries. In addition, he insisted on pluralism and social growth. Therefore, the period of Khatami's presidency is known as Pragmatic-Pluralism (Ehteshami and Zweiri 2007). After Khatami, Mahmoud Ahmadinejad, who is categorized by Ehteshami and Zweiri (2007) as a neoconservative, was elected as President of Iran. Election and re-election of Ahmadinejad has brought more turbulence to Iran's Environment. Since Ahmadinejad's presidency, social freedom has been reduced. The government has insisted on strict Islamic values. Besides, during candidacy, Ahmadinejad offered new economic programs to bring social justice among people, but he failed to implement his vows. Many HRM policies have changed in governmental organizations, as 'once again ideology and loyalty factors are of greater importance' (Namazie 2010). In addition, U.S. and UN sanctions against Iran have continued due to nuclear programs. Iran claims that it is people's rights to have peaceful nuclear programs, but U.S and Europe are doubtful about the peacefulness of Iran's nuclear program (BBC 2010). Many companies and their staffs are under pressure due to instable political situation. Some companies see unpredictable politic as a main problem that de-motivates employees and leads to talented employees' emigration from the country (Namazie 2010). Hence, HR directors have great responsibility to retain employees motivated in this political situation.

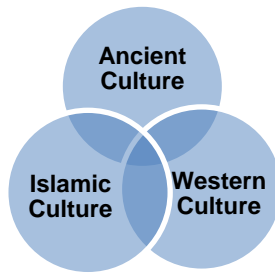
### **2.3.3. Culture**

Namazie and Tayeb (2006) interpreted the culture of Iran based on a study by Bani-Asadi (1984) and recognized that three elements constitute Iranian national culture: 'traditional', 'Islamic', and 'Western' affects. Thus, three types of management styles are derived from these cultural aspects.

Traditional elements trace back to ancient Iran, which is called Persia, with 6000 years history of civilization. Some of the current traditions in Iran remain from 3000-2000 B.C. For example, One of the important traditions is the new year celebrated by Iranians (21st March) which is called 'Norouz'. Also, the last Tuesday night of each year, which is called 'Chaharshanbehsoori', is a fire work festival. Tradition and history play an important role in the lives of Iranian people. The great history of Persia has brought proud and nationalism to Iranian people (Namazie and Tayeb 2006). Besides, the history of invasions, battles, and geographical situation taught Iranians that nothing is stable (Namazie and Tayeb 2006). Because of instability in Iranians' life, they do not trust strangers easily and ancient culture mainly when it comes to family and collectivism. In traditional management style, people trust their own family members and they prefer to work with them. Therefore, Nepotism is noticeable in Iranian companies.

Another cultural factor that has affected people in Iran since 1,400 years ago is Islam. The majority of Iranians are Shiites. Islam has penetrated to Iran's education, policy, media, army, arts as well as organizations. In Muslim countries, Islam comprises a key part of the cultural baggage (Tayeb 1997). Tayeb (2001) states that some of these work culture, "... such as respect for age and seniority, loyalty, obedience of leaders and looking up to seniors for directions, should mean a considerable power distance between superior and subordinates". Islamic management is based on equality and justice. Managers in Iranian companies are paternalistic and are seen as advisors, or teachers who care about their subordinates (Namazie 2003).

The third sub-component of the Iranian culture is the Western culture which has affected Iranians over the last 200 years. Pahlavi dynasty (1929-1979) tried to modernize the country by enforcing Western culture to people. They even obliged women to take off their chador and men to wear ties like Western people (Tayeb 2001). Also, in the 19th and 20th century some privileged family sent their children to Western countries to pursue their education. Hence, they brought a part of western culture and management style when they returned (Namazie and Tayeb 2006). In fact, Iran was the most Westernized country in the Middle East before the Islamic revolution (Menashri 2001).



**Figure 2.** Three cultural facets of Iran (Latifi 2006)

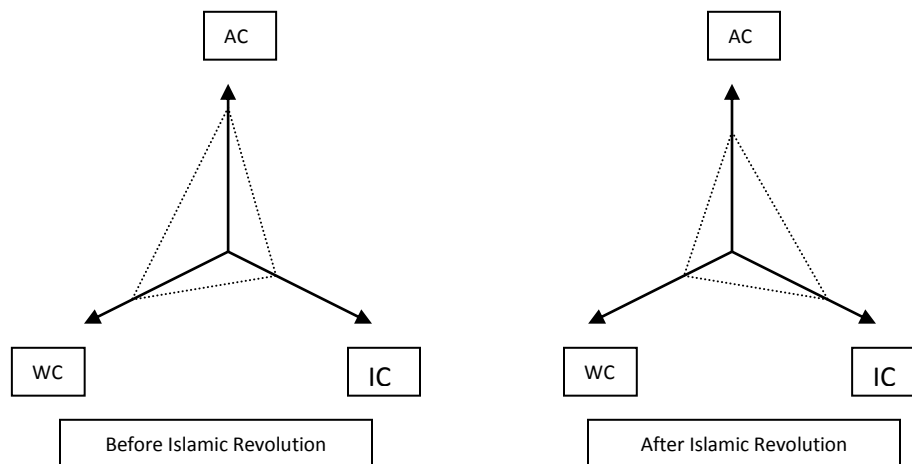
Latifi (2006) developed the debate of the three cultural facets based on Hofstede (1980, 1991) studies. Hofstede carried out a research about the Iranian culture on four dimensions of individualism and collectivism, power distance, uncertainty avoidance, and masculinity and femininity. In addition to four former dimensions, Latifi also considers the long or short term orientation in Iranian culture. She discusses that each cultural facets of ancient, Islamic, and western has different results in Hofstede dimensions. For example, Latifi states that the Ancient cultural facet insists on collectivism, while the Western aspect reinforces the individualism among Iranians, or that the uncertainty avoidance is weaker in ancient and Islamic culture than in Western culture. The obtained results from studies are illustrated in table 2.

Latifi (2006) provides an explanation on the dynamic nature of combination of these three cultural facets. She says different people, different organization, or the whole Iranian culture could vary in different periods of time regarding to combination of these three cultural aspects. For instance, before Revolution, the culture of Iran had a tendency towards Western and ancient aspects, and after Revolution this tendency shifted towards Islamic and ancient facets with an increase. In figure 3, the cultural patterns of Iran's culture, before and after the Islamic Revolution are illustrated. In this figure 'Ancient Culture' is shortened to AC, 'Islamic Culture' to IC, and WC refer to Western culture. It should be noted that there could be different cultural patterns in different times.

**Table 2.** Value profile of Iranian culture in Hofstede's study and a dynamic map of three facets of Iranian culture (Latifi 2006)

Dimensions	Individualism/ collectivism	Power distance	Uncertainty avoidance	Masculinity/ Femininity	Long/short term orientation
Hofstede Studies	Medium	Medium	Medium	Somewhat feminine	No research is done by Hofstede
Ancient	Collectivist	High	Weak	Masculine	Short term
Islamic	Collectivist & individualist	Low	Weak & time- awareness	Masculine & Feminine	Long term
Western	Individualist	Low	Strong	Masculine	Short term

As Latifi states, this cultural pattern is dynamic and it can be differed in various organizations. Thus, it is concluded that governmental organizations mainly have a tendency towards Islamic and ancient facet, while private companies show a tendency towards ancient and perhaps also slightly towards Western culture. In Western MNCs, this tendency mostly could be towards western facet of Iranian culture.

**Figure 3.** Assumed cultural patterns before and after revolution (Latifi 2006)

In conclusion, the effects of all cultural facets are seen in all organizations and their HRM policies and practices, but all in different degrees.

In the following section, the economical situation of Iran is described.

#### **2.3.4. Economy**

In order to appreciate the economy of Iran, the amount of resources stored in Iran, different sectors with significant roles in the economy, and economic difficulties should be described.

Iran is one of the countries with great amount of natural and human resource as Namazie and Tayeb (2006) put it “according to resource based Analysis of economical performance; Iran has the potential of being the world’s twentieth strongest economy.” Iran stores 9 per cent of the world’s oil (Yeganeh 2009), and it has the second largest reserve of the world’s gas (OPEC 2009) and other minerals such as copper, iron, and others are imported from Iran. Besides, 70 percent of Iran’s population is young, and the majority is educated. Albeit of these resources, economy could not grow so much after experiencing Islamic Revolution, and Iran-Iraq war (Khajehpour 2001).

Economy of Iran includes three types of organizations and Bazar. These three sorts of organizations are: Governmental (public) organizations, Private, and Multinational Companies. Large scale and mother industries are ruled by the government and private sectors involve with small and medium sized of industries. In the previous years, the government has encouraged the privatization and they delegated banks and insurance companies to private sectors. However, main industries are under the control of the government and they support monopoly in many areas like oil, Radio and television, telecoms, and etc. The third group is MNCs that have brought new managerial system to Iran and many private, and public companies are influenced by MNCs to change some of their policies. MNCs in Iran split to two groups: Western and Eastern companies. Another main component of Iran’s economy, which is not present in Western countries, is ‘Bazar’. Bazar is a traditional place that merchants trade goods. Trade merchants (Bazaaris) use traditional and Islamic style of management which is based on family relationships, and nepotism. Bazaaris still have a great power and an important role in Iran’s economy as well as the policy.

Iran’s economy deals with many challenges since 1979 after the Islamic Revolution. Since the Revolution, the policy and economy have been affected by Islamic values, as Mofid (1987) states “the motivation of foreign trade policy in Iran since the revolution has been partly political”. Iran was isolated and the government tried to become independent from Western countries, focusing on their own potential of production, but the increased rate of import in 1980’s clearly shows that they were not successful at this policy (Mafi 1999). Nowadays, Iran is experiencing a complicated economical situation due to global economic crisis, inflation, recession, and sanction. According to Namazie’s (2010) research, companies in Iran have different view towards these economical problems. Some of them are under pressure and they

have to downsize the company by firing employees and cut the budget for training programs, while others see economical crisis and sanction as opportunities due to the fact that they do not have any European rivals. The first group states that they are facing more challenges of dealing with HR. They have to be more flexible and concerned about employees, because the inflation makes employees' incomes insufficient. In contrast, the second group claims that the sanction makes them more innovative and they say the remaining employees have more challenges thus they have more opportunities to grow (Namazie 2010)

In conclusion, the current situation of economy in Iran affects HR policies of companies, both positively and negatively which leads to companies reconsidering their policies in training programs, recruitment, and salary payment. Thus, economy is one of the main factors in determining and implementing HRM policies and practices.

As the economy of each country links to its international trade and international firms, the international business and situation of MNCs in Iran is described briefly in the following section. Moreover, MNCs' condition in Iran to pursue the debate of standardization and localization of HRM in Iran MNCs should also be noted.

#### **2.4. International business in Iran**

After the Islamic Revolution in 1979, Iran planned to gain self-efficiency in agriculture and industry. The relations of this country were limited to Islamic countries and it was sanctioned by U.S. Over years, Iran could not achieve their goals due to some reasons and this country still mainly depends on its oil income. Mafi (1999) numerates some of the reasons of failure of Iran in being an industrialized country: mismanagement, lack of skilled workers and techniques, shortage of foreign and private investments, lack of social preparedness, and deficiency in unity of foreign policies. Therefore, many private and foreign investors were hesitant to invest in Iran. During Khatami's presidential period, more foreign investors were attracted to Iran on the ground that the government tried to reduce some economical barriers for investors. Hence, in the last year of his presidency (2005) Iran had the highest amount of foreign investment, 3,039,594 thousand dollars (Ministry of Economic Affairs and Finance 2010), but this decreased in the following years during Ahmadinejad presidency. Iran does not have a stable business environment and these days Iran is going to be sanctioned more and more by most countries because of its nuclear program (BBC Persian 2010). Thus, the numbers of MNCs in Iran compared to other developing countries is lower, despite the fact that it has a great amount of resources. Since 1993 until 2008, some 338 MNCs have invested in Iran, 80 of them being joint ventures (Ministry of Economic Affairs and Finance 2003), while South Africa has 2032 foreign companies totally (National Trade and Investment Promotion Agency of South Africa 2001). The emergence of MNCs in Iran returns to the 1960s before the Revolution (Namazie 2003). Many of these MNCs in Iran are established based on joint venture. According to the current law of

foreign investment in Iran, the foreign partners could hold 49 percent of the ownership, but Namazie's (2003) research on Iran's joint ventures depicts that some foreign partners have more equities; even some carrying 100 percent ownerships. The majority of these MNCs are western and few of them are related to Eastern Asia. The origins of Western MNCs are Germany, Italy, France, UK, Switzerland, and Canada. Eastern MNCs mostly includes Japan, Korea, Turkey, and United Arab Emirates.

#### **2.4.1. Iran MNCs and HRM implementation**

Despite the fact that MNCs in Iran execute HRM practices in more structured and strategic way compared to other Iranian companies, MNCs behave different from their parent companies in some aspects due to the national factors as well as organizational variables. Previously, the national factors of Iran and its effect on HRM were discussed. Further to national factors, some organizational variables are effective in standardization and localization debates. For example, Lu & Bjorkman (1997) examined some organizational variables in Chinese-Western joint ventures. They discuss that the percent of share equity of the Western company, non-financial contribution from the parent company, the presence of expatriates, and mode of establishment are effective organizational variables in standardization and localization of HRM. Their research shows that the foreign companies have considerable power in standardization of HRM practices. For example, the higher percent of equity ownership and more non financial contribution help foreign partner to execute its HRM practices in its subsidiary. Also, Khilji (2002) considers organizational variables in multinational companies in Pakistan. She examines other organizational variables in multinational companies of Pakistan such as the parent company control, usage of expatriates, role of regional head offices, personality of HR managers, and superior manager's commitment in changing HRM image. She depicts how each of these variables could contribute to transferring HRM from the parent company or resisting of changing current HRM practices in each subsidiary.

Namazie (2003) conducted a research among ten joint ventures in Iran regarding equity ownership, country of origin of foreign partners, different management styles, and the effect of public vs. private nature of Iranian partners on transferability of HRM practices. She figured out the foreign partners which have higher equity, bring more technology and skills to the Iranian subsidiary. Thus, they have greater control over the resources and also HRM issues. The second important variable is the original country of foreign partners. The research shows that Iranian have more difficulty in working with Eastern partners, although it seems that they have more compatibility in some aspects. Namazie explains these differences returns to the socio-cultural differences. For example, the Chinese are long-term oriented compared to Iranians, while Iranian managers want to make fast decision due to instability of business environment. This research points out that Iranians have more compatibility with Western partner as a result of

their historical connections to the West. Furthermore, Iranians have regarded Western companies more successful in management. Thus, they accept the Western HRM pattern easier. The third factor concerns the management style. While some companies in Iran have Western and modern approach, others use Islamic and traditional style of management. Namazie states that companies with traditional management style have more difficulty in transferring HR from the foreign partners due to their incompatibility. The last variable examined by Namazie is the nature of Iranian partners; whether they are public or private companies. She claims that private companies are more flexible rather than bureaucratic governmental organizations. Hence, private companies are more open to new HRM.

Based on Namazie's research, each HRM practice has its own degree of standardization and localization in each company. The recruitment and personnel selection is mainly done by Iranian partners, but sometimes foreign partners interfere in the selection of procedure since Iranians want to hire their relatives based on their nepotistic culture. Performance appraisal is not common in most organizations (Namazie 2003). It is only conducted in few organizations in formal way. Besides, the reward system is integrated with both local and foreign approaches, which is mainly introduced by the foreign partners. Training programs mostly left to Iranian partners. Iranian partners believe in the essence of training, though this not conducted based on evaluation and training analysis.

In conclusion, aside from macro variables like national factors, organizational variables are as affective as micro variables in standardizing and localizing HRM practices. Organizational variable explains that HRM issues could vary from one organization to the other in the very same country. In addition, according to the research above, although MNCs have more strategic approach comparing to other Iranian organizations, they take different approaches from their parent companies.

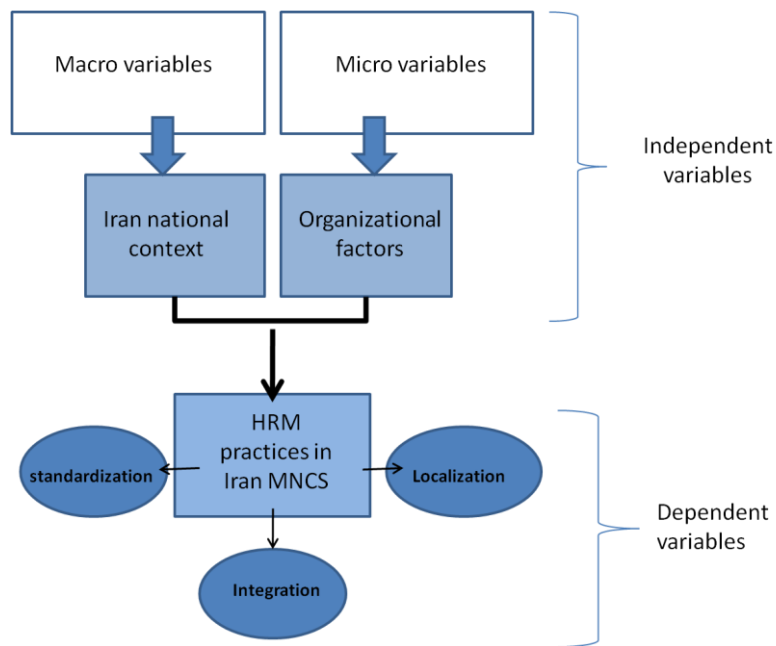
## **2.5. Research Model**

In this section, it is possible to develop the research model based on the literature reviewed above. As it is stated in chapter 2, convergence vs. divergence debate includes macro variables, while standardization and localization refers to meso level variables. Thus, the standardization and localization debate is applied for HRM, which is a meso (company) level variable. HRM is affected by both macro and micro variables. That is, HRM policies and practices vary in different countries due to dissimilar national contexts such as cultures, economies. Also, HRM is affected by organizational variables of each company implementing it. Many organizational aspects might be transferable to other countries, but HRM is context specific. According to the literature above, dissimilarity is perceived more in HRM practices rather than HRM policies, but the degree of the differentiation varies in each HRM practice. Hence, it should be considered the effect of standardization and localization on each HRM practice separately.



According to the literature, it is clear that Iran HRM practices like other countries are affected by its national context. MNCs in Iran try to apply more structured and strategic HRM, but they could not ignore some cultural and economical factors. The nepotistic culture is still witnessed in their recruitment and performance appraisal, or training programs and reward system has been influenced by economical problems. In addition, compensation and reward system has its own regulation in each country. It seems while MNCs seek to apply their HRM in subsidiaries, Iranian subsidiary tries to balance HRM practices between the parent company's standards and national requirements by using an integrative mode. On the other hand, Iranians have more compatibility with Western MNCs because they have Western cultural facet. Hence, it is expected that different MNCs in Iran experience different three modes of standardization, localization, and integration in each HRM practice. MNCs and their subsidiaries go through challenges to decide what mode of convergence and divergence is the most appropriate one for implementing HRM practices in subsidiaries. As mentioned in the literature review, McGaughey and DE Cieri (1999) introduce four modes of convergence and divergence. In this research, assimilation is equal to standardization, and maintenance is localization. The third mode is integration, but the fourth mode is not considered in this research because of the fact that there is no real evidence of the novelty mode.

In figure 5, the research model depicts which variables affect HRM practices in Iran MNCs. In this research, the researcher is going to find out how MNCs deal with these variables to finalize the mode of HRM execution.



**Figure 4.** Research model

In the next chapter, the methods and techniques used to conduct this research are fully described.

### **3. Methodology**

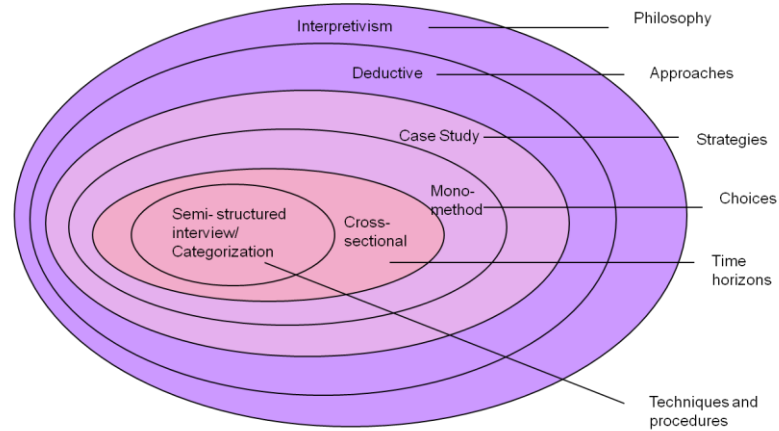
This chapter is going to explain what types of procedures and techniques are used to collect data and analyze them to answer the thesis question. The research design of this thesis is depicted in figure 5, which is designed based on Saunders et al. (2009) research onion.

#### **3.1. Research design**

Robson (2002) states the goal of the descriptive research is 'portraying an accurate profile or persons, events or situations'. This dissertation is a descriptive research on the situation of HRM practices of Western MNCs in Iran. In addition, this thesis is a single case study (Yin 2003) and Unilever is used as a case study. The reason for using a case study was considering the standardization and localization debate in a real world case in order to contribute to a better understanding and prepare a rich description of HRM standardization and localization in the case of Iran. The researcher chose Unilever, a well-known and a successful MNC, as a case study on which has a lot of experience in different countries. Moreover, the researcher could contact the Unilever through a friend and get permission for collecting data. Otherwise, it would have been very difficult to collect data and information from an Iranian organization, as most companies in Iran are hesitant about releasing their data for research purposes. The researcher desired to consider the state of standardization and localization of HRM practices in Unilever Iran and explore difficulties they face in handling standardization and localization. She needed to compare HRM practices of Iran subsidiary to standard HRM practices from the parent company. Hence, the researcher contacted Unilever in the Netherlands as the parent company to find out the set of practices carried out by the parent company. In addition to interviewing Unilever Benelux and Unilever Iran, researcher required to interview with HR Vice President (VP) of Unilever in Turkey as the head-quarter of Unilever Iran. Unilever Iran should get permission from the regional head-quarter to apply new methods or report to them.

The unit of analysis is Unilever Iran, which makes the research a holistic case study. The deductive reasoning was used in the research. Previous literature was used to explain standardization and localization of HRM in Unilever Iran and what factors are effective on HRM implementation in MNCs. Choosing deductive approach helped the researcher to categorize and analyze the collected data based on the research model which was developed based on the theories reviewed in section 2. Furthermore, the data were collected through semi-structured interviews which were based on the qualitative data due to the respondents' perceptions and the researcher's interpretation.

Regarding time horizons, this is a cross-sectional research that was conducted through three sessions of interview in a specific time (five months). It would be exhaustive if standardization and localization effects were considered during a long period due to its dynamic nature, but because of the time limitations of this project, it was done at a particular time.



**Figure 5.** The research 'onion' of this thesis (Saunders, Lewis, & Thornhill, 2009)

### 3.2. Data collection

Sampling was done non-probability and purposive because of the limitations on numbers of respondents. Respondents were chosen based the researcher's judgment. The respondents were divided into three groups:

- 1- Two people at Unilever Benelux in the Netherlands: One was HR Director MSO Netherlands and the other one was VP Human Resources Unilever Benelux
- 2- Four people in Unilever Iran: HR director, HR specialist, Demand planning manager and Supply Chain (SC) supervisor.
- 3- HR Vice President of Unilever in Turkey (The regional head-quarter)

The research can be defined as a mono-method qualitative study. Data was collected through semi-structured interview with these three groups. As respondents' positions were different, four types of question were arranged for HR people in the Netherlands, HR people in Iran, other employees in Iran and HR VP in Turkey. The questions were about the implementation of each HR practice like recruitment, training, performance appraisal, and compensation. Also, few questions on e-HRM were asked to understand what type of computer program or internet-based system they used for HRM. In addition, some questions asked about difficulties of applying standard HRM in Iran. The list of questions was provided by the researcher, but during the interviews, some questions and the order of the questions varied form one interview to the other. First, the face to face interviews with the personnel of the parent company were done at Unilever Benelux in Rotterdam. Then, the interviews with personnel of Unilever Iran, who are located in Tehran, were conducted through the telephone. The final interview was done by HR VP in Turkey also using telephone. It was not possible for the researcher to interview with

Iranians and HR VP face to face due to budget limitation for traveling to Iran and Turkey. The conversations with Dutch specialists was recorded and then written down, while the Iranian and HR vice president interviews were recorded by taken notes only due to voice recording difficulties using telephone. The dialogue with the specialist in the Unilever Benelux and HR vice president in Turkey was in English, and the interview with Iranians was conducted in Persian as the researcher's first language was Persian. At the end, all interview reports were written by the researcher and sent to the interviewees for confirmation. All reports were revised and confirmed except Dutch HR director's report. The researcher asked the HR director three times for confirmation, but she did not reply.

### **3.3. Data Analysis**

The analysis of the data involves two processes: summarizing and categorizing data. During the former processes the key ideas were taken out from interviews of Unilever Benelux, Iran and Turkey notes and recorded conversations. For specifying the standardization or localization of HRM in Unilever Iran the data with regard to each specific HRM practice from both companies of Unilever Benelux and Unilever Iran were compared and unitized into the appropriate category. The researcher categorized the data to three modes of localization, standardization and integration based on the research model. Furthermore, the data from interviews with HR Vice President (Turkey, Iran and central Asia) and HR director Iran were used in expressing the difficulties that Unilever face in Iran. Then, the relationship among these difficulties with macro and micro variables, which were explained in the literature review, was identified.

#### **4. Case study**

This thesis is a single case study carried out in Unilever. Thus, it is essential to include a brief introduction to Unilever first. Next, findings through interviews with HR specialists in Unilever Benelux and people from Unilever Iran are presented and compared to see whether HRM practices in Unilever Iran is standardized, localized, or integrated. Finally, the barriers that Unilever confronts in Iran and how they overcome them are explained to understand what factors affect implementing the standard HRM in MNCs Iran.

##### **4.1. Unilever**

Unilever was formed in 1930 by merger of two companies: Lever Brothers (UK) and Margarine Unie (The Netherlands). These separate parent companies are identified as Unilever NV (the Netherlands) and Unilever PLC (UK). Unilever NV and PLC have separate legal identities but operate as a single entity. Also, the boards of NV and PLC are comprised of the same directors.

According to Fortune Global 500 (2010) Unilever is ranked as 121st among the world's largest corporations. Unilever experienced major events such as economic boom, depression, world wars, changing consumer life styles, and advances in technology. They could overcome these challenges and they have developed enormously around the world with variety of products. Today, Unilever has some 400 brands in three main categories of home, personal care, and food products. Their brand range has turned them to leaders in every product they supply. They are the world number one in these Food categories: Savoury, Spreads, Dressings, Tea, and Ice Cream. They are also global market leader in Mass Skin Care and Deodorants, and have very powerful rank in other Home and Personal Care categories. The popular international brands include Lipton, Knorr, Vaseline, Dove, and Omo, while there are other local brands like Blue Band and Suave.

Today, Unilever employs 163,000 people, sells products in 170 countries worldwide, and supports the jobs of thousands of distributors, contractors, and suppliers. Unlike many companies that claim to think globally but act locally, Unilever tries to think local but act Global. That is, Unilever has global framework and guidelines but sometimes they should adapt locally. Unilever has categorized positions to 5 work levels. Work level 1 is non managers and work level 2 and higher orderly are managers, directors, vice presidents, and senior vice presidents. Unilever policy is to apply global policy for level 2 and higher and delegate responsibilities of work level 1 to subsidiaries to act locally.

In many countries, they manufacture their products as well as selling them, while they also export products to countries where they do not have manufacturing plants. Unilever has 264 manufacturing sites worldwide, all of which do their best for superior performance on safety,

efficiency, quality, and environmental impacts, working up to global Unilever standards and management systems.

Today, the significant amount of Unilever income is earned from developing and emerging countries (D&E). According to their financial documents in 2008, 48% of Unilever turnover belonged to these countries. They estimated that they will have 1 billion new consumers until 2018, majority of them being from D&E. They claim that in the following years the number of poor people in these countries will decrease and the number of middle-class and Affluent people will also grow. Thus, one of their slogans is 'D&E is in our DNA!'

In the following subsection, Unilever in Iran as one of the developing countries is described briefly.

#### **4.1.1. Unilever Iran**

Unilever Iran was established in Tehran in 2003. The factory started to work in January 2006 in Qazvin and the first product was LUX soap. Unilever Iran completely owned by Unilever and it is supervised by regional head quarter located at Turkey. This head quarter is responsible for Unilever Turkey, Iran, and Central Asia.

Unilever in Iran employs 240 people, amongst which approximately 100 of which work in office, and 100 in the factory and the rest work in other cities as sale supervisors. Lipton and LUX brands are produced in the Iranian factory, but other brands such as CIF, DOMESTOS, OMO, SUNSILK, DOVE, Lifebuoy, Signal, Close Up, AXE, Rexona, Vaseline, Clear, and Knorr are imported to Iran.

In the following sections, the findings about HRM practices through interviews with Unilever Benelux personnel and Unilever Iran employees are presented. The rich description of implementation of HRM in the parent company and the subsidiary contributes to comparison of HRM practices in both companies. Then, based on the comparison of two companies it is concluded that each HRM practice is standardized or localized in Iran. Moreover, the difficulties faced by HRM in Unilever and the way they handle them are explained.

#### **4.2. HRM in Unilever Benelux**

In this section, the four HRM practices (recruitment, Training, performance appraisal, and compensation) in Unilever Benelux are described. Besides HRM practices, a brief description of the role of computer or internet in HRM is brought out.

#### **4.2.1. Recruitment and personnel selection**

Unilever Benelux uses different sources to attract job applicants. The first source is the external website of the company ([www.unilever.com](http://www.unilever.com)) where career vacancies are shown on. The second source is the Unilever recruiters who attend business fairs and career days to introduce Unilever and attract applicants. Also, agencies look for required applicants in the market. The main resource of human capital is universities. 50 per cent of recruited personnel are among management trainees. In other words, Unilever attracts graduate students as management trainees to Unilever and keeps the talented ones. If they have vacancies they will first recruit internally and then externally since this is the regulation in the Netherlands. Unilever delegates the whole process of recruitment to Accenture, a big external company.

The selection procedures begin by checking and selecting CVs in the first place. Then, applicants with stronger and more relevant CVs are interviewed through telephone. The next step is meeting with the line manager. Sometimes applicants should be interviewed by HR or higher managers. Aside of these steps, management trainees take online intelligential test before they are assessed by the line manager.

Criteria for personnel selection mainly depend on their rolls in Unilever. Applicants' skills are evaluated through telephone interview and competencies are assessed by line managers during the face to face interview. Accenture recruits people based on 'function profile'. Function profile is an integration of both job description and 'Standards of Leadership' (SOL). SOL includes some criteria like growth mindset, accountability, team working, consumer focus, bias for action, developing talents. Function profile should be written by every manager who wants to recruit personnel or it comes from a central.

#### **4.2.2. Training and development programs**

In Unilever Benelux Training programs are held frequently. Most of individual development (70 per cent) is implemented on the job through the web and working as a team member in a project. Employees can pass all training courses like Finance for Non Financial Managers and Code of Business Principles on the web. Training courses are categorized in two main groups: General skills and academy trainings. General skills include Negotiation, Project Management, Excel, Time Management, language courses, and others. Among general courses Project Management, Time Management, Personal Development, and Negotiation are the four most popular courses in Unilever. General skills are all together shaping 'Learning Management System'. People can look at this system to see what is available and attend programs by consulting their line managers. General skills are for all levels and functions, but academy trainings contain professional skills and they are available for certain levels and functions. Some courses like Business Principles and European Law are obligatory.



Training needs are analyzed based on Personal Development Plan (PDP) and development meetings. PDP consists of business and personal targets, mid-year and annual reviews, and assessment of person. Everybody on level 2 (low level management) and higher levels has an individual development plan. Lower levels have training programs but they do not have individual development plans. Instead, they have a yearly review. After assessing PDPs, in the development meetings managers discuss the training needs and their required improvements with the personnel.

#### **4.2.3. Performance appraisal**

Performance appraisal for second level and higher levels is based on 3+1, which is included in PDP. 3+1 includes three business targets and one development target. Business targets are related to business needs and development target consists of individual development and team development. Business targets are determined by the Western European board then; they roll down to head-quarters and subsidiaries. They have mid-year and end year meetings to clarify goals for personnel and assess personnel's performance. Based on PDP assessment each person is graded from 1 to 5 based on which they are paid. Then, the employees are paid based on their grades.

#### **4.2.4. Reward and compensation system**

The amount of salaries in Unilever Benelux is based on job level and type of the job. To determine the amount of income for the first work level Unilever negotiates with Unions, which are representatives of employees, annually or biennially. In addition, they consider salary scale in the market by comparing peers and rivals like Nestle to decide about salaries for level 2 and higher levels. Salary could be increased based on employees' achievement, but there is a maximum limit to it. Also, salary grows due to inflation.

Moreover, monetary reward is given to level 2 and upper levels based on 3+1. Each person at Unilever receives a fixed income and a variable income. The domain of variable income is 0 to 40 percent of the person's fixed income. People's performances are graded from 1 to 5 based on 3+1. Then, owners of higher grades receive higher percentage of the variable income. For non-managers (level 1: A to M) there is no variable payment and they get certain share of profit at the end of year.

There is no formal non-monetary reward program, but sometimes if one person accomplishes a great job, he will be introduced to higher levels as recognition.

#### **4.2.5. e-HRM**

Unilever works with three main HRM systems that are internet-based: PDP, VURV Recruitment, and e-rewards. All of these systems are global and internet-based. PDP is accessible to managers and is used for performance appraisal. VURV recruitment is seen by everybody and includes job vacancies. The information of job opportunities in VURV are updated and uploaded in the website of the company. The third program is the e-reward available to line managers. E-reward is open on a specific period in January and it should be filled in by line managers stating that who receives the reward and how much should be allocated to that person. All these programs are accessible for the personnel in level 2 and higher.

These programs have brought many benefits to Unilever. The first benefit is widespread accessibility. Second, they have standardized and clarified the procedures globally. Third, it is secure system by defining access limitation. Finally, the last advantage is that these programs are supported by IT system instead of papers which are old and sophisticated.

The disadvantages of these systems are mainly because of external factors. For example, some managers need to use the system after 2 or 3 years and by that time they have forgotten their passwords and how the systems work. In addition, at the end of year it is difficult to support all the demands. Moreover, it is time consuming to learn how to work with them.

In the next part, the focus is on how the same HRM practices are conducted in Unilever Iran as a comparison between Unilever Iran and Unilever Benelux is needed.

#### **4.3. HRM in Unilever Iran**

The following sections include a rich description of four HRM practices of recruitment, training, performance appraisal, compensation in Unilever Iran.

##### **4.3.1. Recruitment and personnel selection**

Unilever Iran attracts job applicants through advertisement in newspapers and two popular recruitment websites of 'Iran Talents' and 'Agah Jobs'. Also, they announce required positions inside the company itself so that if employees know someone suitable they can introduce them. The selection procedures start with checking CVs. Then, the applicants for higher levels are interviewed by their direct manager, HR director, and sometimes CEO and VPs. The process is shorter for lower levels. These applicants are only interviewed by the direct manager and HR manager. Previously, applicants were given intelligence test but it is abandoned unless, some managers want to take such tests. Telephone interview is done but only few simple questions are asked.

Personnel selection stands on function profile which contains required skills and competencies for each level and position. English language is one of the main requirements. Therefore, the application forms are in English. There is no sign of Nepotism culture in Unilever and everybody working in Unilever is qualified even if they were introduced by employees.

#### **4.3.2. Training and development programs**

Training needs analysis is mainly based on PDP. Direct manager and an employee discuss the employee's training needs and improvements stands on PDP. All PDPs are collected and analyzed by HR department. Eventually, HR department bring out some training recommendation for each function.

Training programs are divided into two main groups: general training and functional training. General training includes courses like management skills, negotiation, and presentation. Functional courses are specialized for each function or job. HR director arranges training programs with a person who is responsible for training programs in Turkey as Unilever Iran works under Turkey head quarter, the Unica. Then, they have to decide how to implement training programs on the job, formal training and short expatriation based on their budget and company's strategy. The budget for training programs is explicit. Thus, they should prioritize the training programs. For example, if they recognize that Sales department particularly required learning some specific skill, they would allocate the training budget to the sale department firstly.

#### **4.3.3. Performance appraisal**

Unilever Iran is following the 3+1 target setting, included in PDP, for all managers stating that that managers must commit to three business related and one functional targets. Managers are assessed based on achieving those targets at the end of the year. For lower level performances, appraisal is done but not in PDP format. PDP includes targets, Standards of Leadership (SOL), and career-path for each individual person. SOL considers some personal aspects of each person to see the extent of being extrovert, growth minded, accountable and etc. PDP in Iran is not an online system and is paper based.

#### **4.3.4. Reward and compensation system**

Salaries are categorized based on work level. Each work level salary has its own range from 80 percent to nearly 110 per cent. The amount of basic salary at each level is decided based on market surveys, Unilever global policies, and government statutory figures. Employees in Unilever get a fixed salary regularly and a variable payment based on their performance. These variable payments are called VPAs in Unilever and are given to all levels. At the end of the year Unilever pays a variable payment (as bonus) which is calculated globally based on the local and

global performance of the business. Then, the particular amount of money is divided among personnel. Every person is given a certain percent of the money based on their grade of performance appraisal.

Changes in basic income depend on inflation, market, and global variables. Every change in salaries should be confirmed by Unilever head-quarter which is located in Turkey. Generally, Iranians are not satisfied with their incomes due to the high rate of inflation. Furthermore, Unilever try to increase salary based on inflation figure which is announced by the government, but for various reasons Iran's Government normally underestimate the inflation rate in its official reports. Therefore, incomes do not increase enough to compensate for the actual rate of inflation.

#### **4.3.5. e-HRM**

There are no internet or computer based HRM programs in Iran. Linux is used instead of Windows and papers instead of online PDP as a result of sanctions by America. Most of the Unilever partners are American companies that have sanctioned Iran for many years for political issues.

As in the following, HRM practices in Unilever Iran are compared to the parent company and investigated whether they are localized, standardized, or integrated.

#### **4.4. Analysis of standardization and localization of HRM practices in Unilever Iran**

As mentioned in section 4.1 Unilever has standard policies for managers' levels and submits the responsibility of non managers to local subsidiaries. In this section researcher is going to explain the extent to which HRM practices at manager levels in Iran are standardized. The reason that the researcher chose managers' level is that the information from interviews was mainly regarding managers' levels. Furthermore, Unilever claims that they are standardized at higher levels but not at lower levels. Thus, it is going to be shown whether HRM at higher level is standardized or localized.

Becker and Gerhart (1996) mention that differences in HRM are significant in practice and it is decreased at policy level. Unilever conforms to this theory as the researcher found out the same approaches and policies towards HRM in higher levels from interviews. Hence, in this research HRM practices are only compared [I can't understand the last two sentences, maybe you can write them better]. In addition, as mentioned previously in 2.1.2, Lu and Bjorkman (1997) state that "different HRM practices often have different levels of MNC standardization and localization". Therefore, each HRM practice of recruitment, training, compensation, and performance appraisal in Unilever Iran and Benelux is compared and analyzed separately.

#### **4.4.1. Standardization and localization of recruitment**

In this research, recruitment can be divided into two elements: the selection procedures and criteria and the ways of attracting job applicants.

In Both Unilever Iran and Benelux, job applicants pass the same procedures. They begin the process by screening CVs and interviewing with applicants through telephone. Then, direct manager and HR director interview applicants. Applicants for higher levels are interviewed by CEO or vice presidents. Also, their criteria of selection are similar. Both companies focus on job description for each specific job and consider personal characteristics of applicants based on Standards of Leadership.

The sources of personnel attraction varies in Iran compared to Benelux. In Benelux, the majority of employees come from management trainees who have been university students, and the whole recruitment process is outsourced to Accenture, whereas Accenture does not operate in Iran. Besides, Unilever in Iran cannot enter the Universities and attract university students. Thus, they use Iran Talent and Job Agah websites to find talented applicants. Also, sometimes they advertise in newspapers.

As a result, based on convergence and divergence modes of McGaughey and De Cieri (1999), ignoring some inherent differences, selection criteria and procedures are nearly standardized in Unilever Iran, while ways of attraction are localized.

#### **4.4.2. Standardization and localization of training and development**

Both companies carry out trainings based on training needs analysis. Higher managers meet with subordinates to discuss about required training and improvements that each person needs based on PDP reports. Thus, it could be claimed that the strategy of analyzing training needs in Iran is standard and similar to that of Unilever Benelux.

Both companies have categorized their courses into two groups of general trainings and functional trainings. Also, they have common courses, but the contents of trainings differ from each country and company to other since people have different needs. Furthermore, Unilever Iran has a limited budget for trainings and they have to prioritize training programs as they are much smaller than Unilever Benelux. Therefore, trainings are not available for everyone. Moreover, training is mostly done on the web in Unilever Benelux. This is not feasible in Unilever Iran on the ground that they have no access to Intranet. Another issue is that people in Iran mostly focus on formal training classes, which is in contrast to Unilever policy. Unilever believes that 70 percent of training is done on the job, 20 percent comes from managers and supervisors and 10 percent is carried out in formal classes.

All in all, Unilever Iran has the same procedure for training needs analysis, but they might sometimes differ in contents of training programs and the way trainings are implemented. It is not appropriate to state that the contents of training programs and the ways they carried out are completely localized due to the fact that more or less they have the same training programs. Hence, it could be reported that training contents and how they are conducted are integrated, but training needs analysis is standard.

#### **4.4.3. Standardization and localization of performance appraisal**

Performance at manager levels in Unilever Benelux and Iran is assessed by considering the accomplishment of targets in 3+1. Although these targets' contents vary from one company to other, both companies have the same procedures and criteria for assessing people performance. Consequently, the way of doing performance appraisal in Unilever Iran is standardized even if the included targets vary from or depend on local business.

#### **4.4.4. Standardization and localization of compensation and rewards**

Employees in the second and higher levels in Unilever Benelux and Iran both receive fixed income and variable income. Fixed income is based on the level of the job. The amount of the basic salary on each level is determined based on Unilever policies and rival's salaries in the market. Variable payment is given as a bonus based on each person's performance. That is, Unilever divides up specific percentage of its profit among personnel based on their performance at all levels, but the percentage varies by level. Currently, in both companies there is no formal non monetary rewards program. As a result, Iran applies the standard reward system, but it has to provide other benefits to fill in the gap of the Unilever compensation system and Iran market. For example, they give loans to the personnel because rivals do the same or they have to pay extra money to employees for the Persian New Year which is nearly two times the salary as it is stated in labor laws of Iran. Hence, Unilever Iran applies standards for the reward system, but the compensation generally is integrated.

In the following section, the factors interfering in implementing standard HRM model in Unilever Iran and the adopted reaction by Unilever is described.

#### **4.5. Dealing with difficulties of implementing standard HRM in Iran**

Unilever as a global company has standard HRM model for its subsidiaries especially at higher levels. As Farley et al.(2004) discuss the standard model is pulled by local factors (see 2.1.1) although Unilever Iran tries to implement almost the same model. In this section, these pulling effects are identified and explained how Unilever deals with them based on the information from HR VP and Iran HR director interviews.

One of the main challenges that Unilever faces in Iran has been sanctioned by the U.S.A. due to political issue and its nuclear program. Thus, they could not utilize Windows and Outlook in Iran because they belong to Microsoft, an American company. They use Linux instead. They do not have intranet either and they cannot use online PDP. The other software used by Unilever globally is People Soft which contains personnel information, and it belongs to an American company and therefore, is not applicable in Iran. Previously, they kept the information about Iran in the systems in Turkey. As the sanctions became stricter, the service providing company Accenture prohibited Unilever from doing that and all records were deleted from People Soft. Now this information is kept in a spreadsheet. If Unilever's service provider, Accenture, to which all transactional HR is globally outsourced, applied the software for Iranians, they would be penalized. Therefore, the regional head-quarter located in Turkey has some difficulties in accessing to personnel information in Iran.

Sanctions even affect recruitment in Unilever Iran. Unilever shifts the whole process of recruitment to Accenture. Accenture is a huge American company responsible for transactional HR services like personnel administration, training administration and organization, recruitment, and payroll services of Unilever in 70 countries, but it cannot conduct these services in Iran. Therefore, recruitment in Iran is done locally.

One of the main Unilever policies in recruitment is to attract university students as management trainees and employ them in future. In the Netherlands, 50 percent of their human resources are from management trainees. In Iran, Unilever cannot penetrate to the universities because the government does not allow them to get into the universities as a foreign company. Therefore, Unilever has found other ways to present the company to the students. Recently, Unilever was the sponsor for a competition in a university where they held a speech for students to introduce Unilever as a company that cares for the Environment and is socially responsible.

Another problem in Iran is that they have no access to experienced individuals for higher levels in some fields such as marketing because Iranians have been relatively isolated from the international environment for over 30 years. Consequently, Unilever Iran uses expatriates for such positions.

According to Vice President HR, many Iranians are highly educated and talented, but they have a different mindset on some issues. For example, they expect to be promoted based on the years they have worked in a company and not on their achievements. Also, they think they should be paid based on seniority not what they do. In addition, people's attitude towards training is different. Iranians would rather focus on formal trainings than learning on the job. As previously mentioned, Unilever VP Human Resources believes that 70 percent of training is done on the job, 20 percent from supervisors, and 10 percent is formal training courses. Such a

mindset is partially related to the traditional and Islamic culture of Iranians who respect senior and the elder (Tayeb, 2001). Also, formal classes conform to the traditional classes where the teacher is a senior person who has more knowledge to transfer. Hence, regional vice president meets with the Iranian managers two or three times in a year to explain the policies and provide more information about these issues personally. The other issue is that the work-life balance in Iran differs from that of Europe and even Turkey as the Vice President mentioned Turkish people work hard but Iranians on average work less compared to Europeans and Turks. Therefore, Unilever makes an effort to provide more incentives for the employee by growing the business faster and bringing more opportunities to the system. Furthermore, he tries to show them what type of company they are and Unilever is different compare to other companies by focusing on the environment and social responsibilities.

According to HR director in Iran, Unilever Iran did whatever its rivals did in the market to maintain Unilever managers as long as they are not deviating from Unilever macro policies. He added that he had to provide additional benefits for his personnel in Unilever Iran whereas Unilever in other countries might not do the same. For example, they give loans to the personnel, or financial aids for buying cars to managers. In other words, granting loans to employees by companies shows that Iranian's income is not sufficient for buying cars and houses due to the high rate of inflation. Also, they provide their personnel with complementary insurance and medical plan or they arrange a yearly trip for all personnel with lower levels. Furthermore, the company provides the personnel with lunch, which is a main meal in Iran. Preparing Iranian cuisine is truly time consuming. Thus, giving free lunch by Unilever is a real benefit.

In conclusion, Unilever Iran implements HRM practices as similar as possible to the standard model thanks to the effects of the organizational variables acting as pushing factors in Unilever. As was mentioned in 2.4.1 Lu & Bjorkman (1997) identify some organizational variables, such as: equity of the Western company, non financial contribution from the parent company, and the presence of expatriates which are effective organizational variables in determining the standardization and localization of HRM. That is, Unilever is an experienced global company that holds the complete equity ownership of Unilever Iran. Unilever Iran is supervised by the regional head-quarter and supported by non financial contributions like training classes. However, Unilever Iran could not fully implement standard HRM despite the mentioned organizational variables. The ways of doing some HRM practices are localized or integrated because of national and even international factors. Identified affecting factors in Unilever Iran are related to traditional culture, sanctions, country's isolation, economy, and the government's policies. Among these variables, the government and its policies are directly and indirectly a significant barrier for applying standard HRM in Iran. In other words, not only the



government and its policies are accused to lead to sanctions, brain drain, and high rate of inflation, but also they influence HRM directly by applying strict rules.

#### **4.6. Discussion**

This research looks for the three main goals by considering Unilever as a single case study. The first aim was discovering the extent to which HRM practices of recruitment, training, performance appraisal, and compensation in Western MNCs in Iran are standardized or localized compared to the parent company. Second, it provides a rich description of the current situation of HRM in Western MNCs in Iran. Third, explaining the barriers in carrying out the standard HRM in Iran and how MNCs deal with these challenges.

First thing that should be considered in the analysis of each HRM practice is that each HRM is composed of some elements. Thus, all elements should be considered and compared individually. For example, in this research recruitment consists of attraction, selection procedures, and selection criteria. According to the analysis, attraction in Unilever Iran is totally localized, but selection procedures and criteria are mostly standardized. In other words, regarding four modes of convergence and divergence of McGaughey and De Cieri (1999), Unilever Iran maintains their national procedures in attracting people, but they gain and apply the parent company's rules in selection procedures and criteria (See 2.1.). Therefore, the general conclusion could not be made for each HRM practice without considering its composing elements. Also, Unilever Iran gains the parent company's standards in carrying out the training needs analysis, performance appraisal and reward system which illustrate the maintenance or standardized mode. In addition, Unilever Iran uses both the parent company and national characteristics in training methods and executing compensation system which conform to the integration mode of McGaughey and De cieri (1999). This result illustrates that "different HRM practices often have different levels of MNCs standardization and localization" (Lu and Bjorkman, 1997), but refute the claim of Namazie (2003) that there is more compatibility in recruitment and training programs than in some other practices such as promotion and performance appraisal (See 2.1.2.).

In this thesis, the researcher compares the ways of carrying out HRM practices while each HRM practice, even the standardized ones, differ in contents, intensity, and tools. For example, reward system in Iran is similar to that in Unilever Benelux but the amount of money differs, or training programs are held in Iran but the frequency of these programs is less compared to Unilever Benelux. Considering the inputs and the intensity of these HRM practices is a complicated task and out of the scope of this work. Furthermore, Unilever believes that inputs of HRM should be localized. For instance, it is not possible to give all HR specialists in different countries the same amount of salary because of the different buying powers. Another factor which is not covered in the standardization and localization of HRM debate in scholars'

researches and this thesis is the role of technology and tools in standardization and localization of HRM. As it was explained above, in Iran they do not use any internet based HR program because of the sanctions, while Unilever Benelux uses VURV Recruitment for recruitment, Online PDP for performance appraisal, e-reward for reward system, and management learning system for training programs. Also, in Iran there are no training programs on the web which differentiates the training in Iran from training programs in Unilever Benelux or the regional head-quarter. Therefore, it is fruitful to include the technology factor as one of the main variables in standardization and localization of HRM.

This research illustrates that Unilever as a Western MNC has more structured HRM policies compared to the governmental and private companies in Iran were described in the literature review. Also, HRM in MNCs are protected from some strong national effects like nepotism which is in contrast with Namazie's research (2003) (See 2.4.1.). Her research shows that Iranian joint ventures mostly are influenced by Nepotism culture. In this research, as Khilji (2002), Lu and Bjorkman (1997) and Namazie (2003) discuss (See 2.4.1 and 2.1.2) organizational variables like the equity of ownership, non financial contribution, control of the head-quarter and even the origin country of the company leads to standardization of HRM in many aspects. Since Unilever is a Western company Iranians have more compatibility with Western companies due to their Western cultural facet (See 2.3.3). Moreover, Namazie (2003) states Iranians have perceived Western and European countries successful in management and Industry (See 2.4.1.). However, Unilever could not be completely immune from some native factors like traditional culture and mainly the government in Iran. These macro variables lead to localization and integration of HRM practices in some dimensions. That is, the research result conforms to Schuler et al (2002) claiming that HRM has a context-specific nature.

In conclusion, the results of this research are applicable in the research model in 2.5 illustrating the national context of Iran and organizational variables affecting implementation of HRM in MNCs Iran. HRM in MNCs in Iran can possibly have one of the three modes of standardization, localization and integration, which is supported by McGaughey and De Cieri (1999) claim (See 2.1). It should be addressed that while many aspects of national context of Iran such as traditional culture and the government lead to localization or integration, but other aspects of national context like Western cultural facet of Iranians contributes to standardization. Moreover, regarding the reviewed case study, the managers define the same HRM policies for both the parent company and the subsidiary, but these policies differ in practice and content due to varied aspects of national context. In other words, MNCs not only use other tools and procedures to execute their HRM practices due to the governmental limitations, but also they have to provide additional benefits to compensate the gap between MNC's policies and Iran market. As a result, macro policies of HRM in Unilever Iran conform to the parent company and

standardized, but HRM in practice generally is integrated and it is combined of the parent company's methods and Iranian norms.

## **5. Conclusion and recommendations**

In the following subsections, the conclusion part provides summary of the thesis and the main research findings. Then, the researcher's reflection and her opinions about the research are expressed. Next, the limitations that the researcher faced during the research are stated, and finally, the future directions for research are recommended.

### **5.1. Conclusion**

The first aim of this research is to extend the boundary of standardization and localization debate from Western and Eastern countries to Middle Eastern ones. The second and main goal is to provide information about HRM in Iran for people who do not have access to Iran and Iranian organizations. The research question is 'How do Western MNCs in Iran deal with standardization and localization of HRM practices? And why?' To respond to the question, Unilever is the single case study that is considered. The data are collected through semi-structured interviews with Unilever Benelux as a parent company and Unilever Iran as a subsidiary to investigate if Unilever Iran carries out standardized, localized or integrated HRM. In addition, the researcher had a semi-structured interview with HR vice president of the regional head quarter, located at Turkey, to find out about difficulties that they have in applying standard HRM in Iran and how they overcome them. Each HRM practice of recruitment and training was divided into its elements each of which was analyzed to see if it was a standardized or localized. For instance, the result shows that personnel selection and its criteria are standardized, but personnel attraction is localized. Training needs analysis in Unilever Iran is carried out similar to the parent company, but the training courses and its methods are integrated. Furthermore, performance appraisal and compensation conform to standard model of Unilever, but Unilever Iran needs to fill in the gap between standard compensation and Iran's labor market by providing other benefits to maintain its managers. For example, Unilever Iran gives loan to personnel because other organizations in Iran do the same. Thus, compensation and reward system is integrated. Finally, it is concluded that Unilever Iran is standardized in macro policies of HRM, but integrated in carrying out the HRM practices.

The other main findings are about the difficulties that Unilever Iran has in applying standard HRM model. Also, it is discussed how Unilever Iran implements HRM as similar as possible to the standard model despite the challenges. Currently, the main issue that adversely affects the functions in Unilever is widespread American sanction against Iran based on political conflicts on issues like Iran's nuclear program. . Hence, Unilever Iran cannot use several softwares because most of the softwares used by Unilever are American. As a local remedy, Unilever Iran uses Linux instead of Microsoft Windows and carries out many procedures on paper. Furthermore, the government creates barriers for Unilever as a European company. For example, Unilever cannot penetrate in Iran Universities as the most important source of human capital. Unilever tried to present itself to students by sponsoring competitions in some

universities and holding a speech for the students to introduce the company. Other challenges are because of people's mindsets and culture. In fact, Iranians have different attitudes towards promotion, payment and training programs. For instance, Iranians expect to be promoted based on their experience rather than achievement. As a respond to this difficulty, the regional HR Vice President travels Iran on a regular basis. He tries to explain Unilever standards to Iranian managers and give them the required information.

In summary, this research provides a rich description of four HRM practices of recruitment, training, performance appraisal, and compensation in Unilever as a Western MNC in Iran. Besides, it is explained how they are affected by national context of Iran and what solutions they have come up with to fill the gap between standards and local requirements. The important point raised during the analysis is the role of the technology and computer as a significant variable in standardization and localization of HRM. At the end, it should be addressed that Unilever Iran case does not describe the whole circumstance of HRM in Iran MNCs. HRM policies and practices should be considered in more MNCs from different origins to gain more insight on the subject.

## **5.2. Reflections**

This research brought out some interesting and unexpected points. The first interesting experience was about Unilever itself, and the second was about the result of the research.

The first experience relates to the differences of a European company like Unilever Benelux's attitude compared to Unilever Iran or other Iranian organizations' attitudes toward researches. The researcher had to contact one of her friends in Unilever Iran to get into Unilever Iran. Otherwise, it would have been too difficult and maybe impossible to do research on an Iranian organization. In contrast, the researcher did not have a friend in Unilever Benelux. One of former Unilever managers, who did not know the researcher, introduced a contact in Unilever. Chief HR officer of Unilever introduced HR vice president and HR director for interviewing. Also, another HR vice president (Iran, Turkey and Central Asia) called the researcher from Turkey. The researcher was surprised and grateful that high position persons cared about and dedicated their time to her research, something which rarely happens in Iranian organizations. The second interesting point for the researcher is the research results. The researcher he expected Unilever Iran to be more affected by Iranian culture such as nepotism. Also, the researcher did not expect the Unilever Iran to be highly organized comparing to other organizations in Iran, but it surprisingly was. Unilever Iran is influenced by some national factors, but it is minimal compared to other Iranian organizations. The research illustrates that Unilever is mostly successful in its policy of 'think local, act global'.

All in all, this research in addition to providing information about HRM in Iran MNCs for people who do not have access to Iran, it enhanced the researcher's knowledge about implementation

of HRM in a successful Dutch company where she found some surprising results and experiences.

### **5.3. Limitations**

To have a fuller description of HRM in Iran, research should be done on several MNCs, which is beyond the limitations of this research. As a major restriction to do research in Iran, one needs to have a personal contact to be able to carry out research in an organization.. As the researcher had contact in Unilever only, she could conduct her research just in Unilever. In addition, more time was needed to do research in more companies and time limit for this project was only four months. Moreover, traveling to Iran, interviewing face to face , and observing the situation might contribute to comprehensive results, but it was not feasible due to lack of budget.

### **5.4. Future Research**

Three research directions are suggested for future work. First, it is suggested to include more MNCs from different countries of origin in Iran and compare their HRM to create an inclusive description of HRM in MNCs Iran. In addition, it is worth to compare HRM in governmental and private companies with MNCs Iran in a longitudinal study to understand if MNCs affect HRM of Iranian organization on a long term basis. This type of research could shed light to situation of HRM as a whole in Iran, and contribute to developing HRM in Iran. The last recommendation for future research is considering the role of computer and Internet in standardization and localization of HRM. The role of computer and Internet could not be ignored as we live in IT century and IT penetrates in every aspect of our life.

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## **Appendices**

### **Questionnaires:**

#### **The Netherlands (HR Specialists)**

##### **A) HRM practices in Unilever Benelux (Standard HRM practices)**

1. How Unilever Benelux recruit its personnel? What are the procedures and criteria for personnel selection?
2. Could you explain how training and development programs are conducted at Unilever Benelux? How do you analyze training needs? What types of courses are mostly presented?
3. How does Unilever evaluate personnel's performance? What aspects or criteria are considered in performance appraisal?
4. What factors do you consider in specifying the amount of personnel's salaries?
5. When are people rewarded? What types of rewards are given?

##### **B) Standardization and localization of HRM**

6. To what extent Unilever subsidiaries are expected to implement HRM policy and practice same as the parent company (standardized) and to what degree subsidiaries are free to imply their own policies and practices (localized)?
7. To what level Iran Unilever supposed to implement standard HRM practices same as Unilever NV?
8. How do you deal with the challenges of transferring HRM practices to Iran? Give examples.
9. Which HRM practices were easier to transfer to Iran? Why? And which practices faced more difficulties? What are the reasons?
10. Currently, which HRM practice has more compatibility with the parent company? Why?
11. Which HRM practice has less compatibility with the parent company? Why?
12. How is the difficulty of transferring HRM practices to Iran compare to other Middle East countries?

##### **C) The role of e-HRM**

13. Do you have any computer or internet based program for HRM? Could you explain how it works?
14. Are all subsidiaries supposed to use the same technology? What about Iran Unilever?
15. What benefits are brought to Unilever and its subsidiaries by using this technology? What are these benefits in case of Iran?
16. What difficulties are brought to Unilever and its subsidiaries by using this technology? What are these difficulties in case of Iran?

## **Iran (HR Specialists)**

### **A) HRM practices in Iran Unilever**

1. How Unilever recruit its required personnel? What are the procedures and criteria for personnel selection?
2. Could you explain how training and development programs are conducted at Unilever of Iran? How do you analyze training needs? What types of courses are mostly presented?
3. How does Unilever evaluate personnel's performance? What aspects or criteria are considered in performance appraisal?
4. What factors do you consider in specifying the amount of personnel's salaries?
5. When are people rewarded? What types of rewards are given?

### **B) Standardization and localization of HRM practices**

6. To what extent are you expected by the parent company to implement HRM confirming standards of Unilever NV?
7. What challenges do you find in implementing standard (parent company) HRM? Give examples.
8. How do you overcome the difficulty of applying standards of HRM practices? Explain and give example.
9. Regarding to Iran situation, which standard practices are more difficult to apply? Why?
10. What practices of the parent company are easier to implement? Why?
11. Currently, which HRM practice has more compatibility with the parent company and which one has the less? Why?
12. In your opinion, what are the benefits of implying standard HRM practices in Iran Unilever?

### **C) The role of e-HRM**

13. Do you use any computer or internet based HRM program? Could you explain how does it work?
14. What benefits and difficulties are brought to the company by using this technology?

## **Iran (Other employees)**

### **A) HRM practices in Iran Unilever**

1. How were you selected to work at Unilever? How did you apply? What were the procedures? What were the criteria for selection?
2. How are training programs implemented at Unilever? How training needs are analyzed? What types of courses are mostly presented?
3. How personnel's performances are appraised at Unilever? What aspects and criteria are considered?
4. Could you explain what factors are considered in specifying the amount of salaries of personnel?
5. When are people rewarded? What types of rewards are common in Unilever?

### **B) Standardization and localization of HRM**

6. What difficulties do you perceive in implementing HR practices that mentioned before? Why? Please give examples.
7. Which HR practice do you see more compatible to the company and country circumstances? Why?
8. In your opinion, which HR policy or practice has the least compatibility with the company and country context? Why?

### **C) The role of e-HRM**

9. Is any internet or computer based program used by HRM department that you are involved with? Could you explain how it works?
10. What benefits or problems do you perceive in this technology?

## **HR Vice president (Turkey, Iran and Central Asia)**

1. To what extent do you delegate HRM practices to Unilever Iran? Or to what extent they are independent in making decisions regarding to HRM practices?
2. Is there any HR standard that you cannot apply in Iran? Why? What do you do instead? For example it is in contrast with Iran laws.
3. What challenges do you have in implementing standard HRM model in Iran?
4. Do you have difficulties in finding talented and skillful people in Iran?
5. Does sanction in Iran lead to changes in HRM policies? How?
6. Why there is no internet or computer based program for HRM in Iran?
7. How is the difficulty of implying standard HRM in Iran compare to other countries in the Middle East?

## **Interview Reports:**

### **Interview report 1 (confirmed)**

Name: Roshanak Sadeghi Position: Planning and Logistics Officer Date: 26/11/2010

Roshanak works as a Planning and Logistics Officer in Unilever Iran for 9 months. She was interviewed about four HRM practices (Recruitment, training and development, performance appraisal, and compensation) in Iran Unilever. In the following paragraphs her explanation is summarized.

Roshanak applied for Iran Unilever through 'Iran Talents'. Iran Talents ([www.irantalents.com](http://www.irantalents.com)) performs as an intermediary agency between job applicants and international firms. Majority of International companies announce their opportunities in Iran talents. She put her CV in the Iran Talents website and applied for Unilever. When she got there she was given an English form to fill in. she said, it was hard and it took her 45 minutes to fill in. Then, she had the first interview with planning manager and SC manager (her direct manager) together. The interview was done first in Persian, then in English. Besides, she was given intelligential test. After that, she had another interview with HR director who did not ask professional questions. It seemed that HR director wanted to measure her self-confident. She added that she had to take her health confirmation and a recommendation letter from her previous job. Once she started her job at Unilever she had an induction program to meet the managers of different departments. She stated that the induction program helped her to understand what other departments do in 2 weeks.

She was asked about other applicants. She said that most of recruitment was done through Iran talent and sometimes in News papers. Some people were introduced by other employees, and they are qualified. Just one person worked at Unilever who was one of manager's relatives and he was not qualified for his position, but he could not stay at Unilever because he was not in the same prestige of Unilever personnel.

She stated that there was no training program for each person specifically. She said she was sent to some business classes when she came to Unilever, but it was her manager's request. Her manager asked HR department and they accepted. She claimed that most of training programs are for managers (work level 1D and up to this). The bad point is One day all managers went to class and other work levels stayed at work place and there was no manager in the office (it happened 3 times during my work period).

Performance appraisal was conducted based on PDP (Personal Development Plan) at the end of the year of Christian Calendar not Persian calendar. PDP considered future and previous target.

It is included manager's feedback to the personnel. Roshanak did not know about PDP in details because she has not finished her first year of working at Unilever.

She stated that salaries were only based on work levels. In Unilever work level 1A is services (office boys), level 1B Officer, work level 1C Assistant, and work level 1D assistant managers and upper are managers, directors etc. It was clear that work level A get the least salary. Based on GPS (Global Personal Survey) which is done by Unilever annually, Unilever Iran's personnel had the least satisfaction with their salaries last year. The salaries also are conformed to Iran work law. For example, personnel get extra money for the Persian New Year based on work law.

She reported that they did not receive any special bonus or reward for their performance. At the end of year, the profit of the company is divided among personnel, but it differs for each work level. Also, she was appreciated through e-mail by her manager when she did a good job. She complained it was not clear her career-path at Unilever and there was no pattern for promotion. She asked from other employees about bonuses. She said Unilever gave to employees sport club and shopping cards around 80000 Toman (nearly 60 Euro) every year.

She did not know anything about HRM computer or internet based program and she is not involved with such a thing.

She thought that HRM department did not have required power at Unilever Iran.



## **Interview report 2 (confirmed)**

Name: Solmaz Tourabi Position: Demand planning manager Date: 27/11/2010

The summary of interview contents with Solmaz is brought in the following paragraphs. She was asked about the way of conducting HRM practices in Unilever Iran.

Unilever attracted applicants through announcement in the news papers and Iran talents. Also, they announce in the company if internal personnel knew someone for required positions. The main procedures of personnel selection is interviewing with direct manager and HR manager based on applicant's CV and a form that is filled by an applicant. Solmaz said that she sometime gave applicants intelligential test by HRM department's coordination. She considers some criteria for selecting people such as: experience, education, the relation between education and job position, and personality of applicants. One of the main skills that everyone has to have in Unilever is being advanced in English. By the way, she stated each position had its own criteria.

She claimed that training programs was done based on PDP results. After giving feedback to personnel, Manager recommends the employees what training courses they are needed to pass. These training programs differ for each person and department. She said the training needs are considered individually and conducted at all levels except for service personnel.

Performance appraisal is done based on PDP. All PDPs are conformed to the same principles, but they have different format in different levels. PDPs mainly consider the last year targets and the reasons of the failure to achieve those targets. Besides, they specify the target for the next year in PDPs. These targets are numerical. PDPs are also used to give feedback, analyze training needs, and clarify the career- path for personnel. PDP file will be shared in soft copy and only after being finalized and agreed from both side, it will be signed and archived as hard copy.

Salaries are categorized based on work level. Each work level salary has its own range from 80 percent nearly to 110 %. For example, a based salary for employees of level A is x. Personnel in the first year get 80 per cent of x. This percent increases by the years of working in Unilever, manager's decision, and governmental rules. The acceleration stops when the salary gets to the predefined maximum point at that level. After that, if an employee was qualified and there was a vacancy he/she might be promoted. Otherwise, Unilever tries to keep him motivated by extra training courses. She claimed that Unilever was strict about increasing salaries after global economical recession, but they tried to increase salaries based on inflation rate which was stated by the government.

People in Unilever get fixed salary regularly and variable payment when they do a good job. These variable payments are called VPAs in Unilever and are given to all Levels). In addition, at

the end of the year the profit of the company divided among departments. Each Level has its own budget. The profit is not given to each person in the department haphazardly. It is given based on personnel's performance in all levels. Besides, in each department, higher levels get higher percent of this profit.

She said that twice a year personnel were given bank cards to shop and some club cards to use sport facilities. It's given to everyone in every level equal to each other.

She thought they did not have any difficulty with implementing these HRM functions and some of them like PDPs are well-established and accepted by employees. Nowadays, HRM care more about safety. Besides, HRM department arranged the meeting to aware personnel from new performance appraisal system that is going to be implemented in the future. This new system currently is only for upper levels, and lower levels will be evaluated as before, the main idea is to define 3+1 annual target for each person and track the achievement.

### **Interview report 3 (Confirmed)**

Name: Rob Stolk Position: VP Human Resources Unilever Benelux Date: 29/11/2010

Rob Stolk works as VP human resources in Unilever Benelux. He was asked questions regarding to HRM policies and practices in Unilever. He explained each HRM practice of recruitment, training and development, performance appraisal, and compensation is done by Unilever. Also, he briefly explained to what extent Unilever HRM system was global. His response to the questions is expressed in the following paragraphs.

The whole recruitment is outsourced by Accenture which is a big external company. Accenture recruit people based on function profile and standards of leadership of Unilever. Function profile is written by every manager who wants to recruit personnel or comes from a central database. Function profile is integrated of both job description and standards of leadership in Unilever. In other words, Accenture works as an intermediary between managers and recruitment. Some recruitment processes are done by Accenture itself and some processes delegate to agencies. If they had vacancies in the company they would start with internal personnel then roll it out to the external agencies. Other main important resources of human capital in Unilever are trainees from the universities.

In selection people personal abilities like growth mindset, customer and consumer focus, and accountability and responsibility, bias for action and develop talents and teams which are standards of leadership in Unilever are considered. Also, social skills and team development abilities are important. Managers are expected to know English besides of the local language.

The first step in selection procedure is telephone interview with some people whose CVs are selected. Then, selected applicants are going to be interviewed by direct manager, and manager of manager. Unilever also give some intelligential tests to trainees which are internet based.

Unilever focuses on training significantly. Most of them are web- based all kind of trainings and booklets, finance for non financial managers, code of business principles and etc. They also have two years training program which includes negotiation, presentation, and etc. the training's contents varied by different functions. 70 percent of individual development is on the job. Personnel could learn many things on the web and also gain team leadership or project leadership experience by working as a team member in the project.

Right now level 2 and higher (low level management and higher) have individual development plan. People lower than level 2 have training programs, but they do not have individual development plan. Instead of the individual development plan they have a yearly review (POT interview) Unilever is going to provide individual plan for lower levels in the following years.

Training needs analysis is based on PDPs and personal development meetings. All of these processes are Global and are rolled out from the parent company to the subsidiaries.

Performance appraisal (WL2+) is based on 3+1. 3+1 includes three business targets and one development targets. Business targets are focused on business needs and development targets consist of individual development and team development. The targets, that identified by Western European boards, transfer to the other organizations.

Salaries are dependent on what type of job people are doing and job classification. Besides, Unilever in the Netherlands negotiate with unions (WI1) that are representatives of employees once a year or every 2 years. In addition, they consider the salary scale (WL2+) in the market by perceiving peers and comparing with big food companies like Nestle. Salary increases based on personnel's function and achievement but it has maximum. Besides, sometimes when prices go up the salaries are increased.

Reward is given based 3+1. Each person receives fixed income regularly and variable payment based on achieving 3+1 targets. Besides of this monetary reward, non monetary reward like recognition is applied in Unilever. For example, if one person could do something good, he/she would be recognized by higher levels. Training programs are not used as rewards because they are business essence.

He said that policies and processes like reward system and training and PDP were the same and global because they need support processes by IT network. They apply worldwide system if it is possible legally in every country. Rob did not have information about Iran as he was not responsible for Iran or Middle East. He stated that PDPs and 3+1 were implemented certainly in Iran. He mentioned that Unilever tried to standardize more and more. Currently Unilever is a more global company compared to 10 years ago. Unilever tries to standardize more and more the processes, policies and ways of working, but they could be used less and more in different locations.

The computer based program that they use for HRM is PDP. PDP is a HRM system that includes target setting, mid-year and annual reviews, 360 degree feedback, reward tools, and individual development plan. PDP is used by all subsidiaries.

This system has brought some benefits. It has structured and standardized way of doing thing more. Besides, every department can work with it and it is a best practice that everyone benefits of. In addition, PDP could be supported by IT system, if not they had to deal with couple of IT systems or paper based system which is old and complicated.

This system has some difficulties. It is a new system that takes time people to learn it. Besides, it can bother managers because at end of deadlines it is hard to support all the demands. This

system mainly is used for level 2 and higher. For blue collars and lower level employees different system are used and it is country based (localized). For example, in the Netherlands work level 1 receive variable payment based on the result of the company, but they try to link work level 1 with work level 2.

## Interview report 4

Name: Myrthe Geenen Position: HR director MSO Netherlands Date: 29/11/2010

Myrthe Geenen works as a HR director in Unilever. She was interviewed about HRM practices that are conducted in Unilever in the Netherlands. Also, she explained about e-HRM system that they used. Her explanation is described in the following paragraphs.

Unilever has different resources for recruitment. The first resource is external website: [www.unilever.com](http://www.unilever.com). In the website career vacancies are announced. Also, Unilever recruiters attend in fairs and career days to introduce Unilever and attract applicants. Another main resource is campus recruitment. 50 per cent of recruitment is from management trainees. Besides, agencies look for required people in the market. Internal colleagues might introduce some of their relatives but they have to apply through website.

The selection procedures begin by checking and selecting CVs firstly. Then, people, whose CVs were selected, are interviewed through telephone. The next step is meeting line manager. Sometimes applicants should be interviewed by HR manager or higher manager. Besides of these steps trainees are given online intelligential test before they are assessed by line manager.

Criteria of selection mainly depend on the roll of people in Unilever. Skills (certain experience) are considered through CVs. Also, competencies are assessed by line manager during the interview.

Unilever has a lot of training programs. Training programs are divided into two main category: general skills (like negotiation, project management, Excel skills, and language skills) and disciplined or academy training which includes professional skills. General skills are all together shape 'learning management system'. People can look at this system what is available and attend in the programs by consulting with their line managers. Both general skills and academy trainings are done in all levels. The difference between these two types of training programs is general skills are not job specific and optional, but professional skills for certain levels and depends on their functions. Some of the courses like business principle and European law are obligatory for people to take part in. the four most popular courses in Unilever are project Management, time management, personal development, and negotiation. Besides, many things people learn on the job.

Performance appraisal of managers is done through online PDP (personal Development Plan). PDP includes target setting, mid-year and end year reviews and assessment. Based on the assessment each person is graded 1 to 5. Then, people are paid stands on their grades. The variable payment is 0 to 40 percent of person's salary. Variable payment is given to managers

and higher levels as result of individual performance and Business achievements. Non managers get certain percentage of profit at the end of year and it does not depend on their performance. Non managers are level 1 (A to M). Level 2 are managers, 3 directors, 4 vice presidents, and 5 senior vice presidents.

There is no formal non monetary reward program. If it was vacancy, people could be promoted. Sport card and such stuff are not reward and they can be used by everyone.

Myrthe stated that they had standard HRM model for everywhere. HRM principles are the same but they differ in contents for instance learning system approach is the same for all companies but the contents of training program is different due to local requirements. Also, Reward system is the same in all managers' level but it may differ in non manger levels. Thus, non managers' level policies are delegated to the local subsidiaries. She thought that recruitment can be less compatible with the parent company due to local issues, but the reward system has the most compatibility.

She reported three main HRM systems that are internet based: PDP, VURV Recruitment, and e-rewards. All of these systems are global and internet based. PDP is accessible to managers and used for performance appraisal. VURV recruitment is perceived by everybody and includes job vacancies. The third program is e-reward which is available for line managers. E-reward is opened in the specific period and it should be filled in by line managers about bonuses and salary increasing. All of these programs are reachable for level 2 and higher.

The benefits of the internet based system are that it is global and accessible to everyone, everywhere at anytime. Also, it is transparent for everybody how these systems work. Besides, it can maintain security by limiting access to confidential things.

The system is very good. Unilever just have difficulty when one of line manager find vacancy for recruitment and wants to recruit after 2 or 3 years and he forgot his password. He even does not know how to work it after such a long time.

### **Interview report 5 (confirmed)**

Name: Jamal Salehi

Position: HR director

Date: 4/12/2010

Jamal Salehi works as HR director in Unilever Iran. He was interviewed regarding HRM practices in Unilever Iran and standardization vs. localization of HRM practices. His explanation is expressed in the following paragraphs.

Personnel selection in Unilever Iran is based on job description which includes level, grades, required skills and competencies for each job. The procedures are shorter in lower levels. Applicants for lower levels are just interviewed by his/her direct manager and HR director, but applicants for higher level positions are interviewed by direct manager, HR manager and sometimes CEO and VPs. Mr. Salehi was asked if they had problem with finding talented and skillful people in Iran. He responded they did not have problem in lower levels, but sometimes they had problem in reaching senior persons in some fields like marketing. Therefore, they had to hire expatriates from other countries.

Training needs analysis is mainly based on PDP. Direct manager and an employee discuss the employee's training needs and improvements stands on PDP. All PDPs are collected and analyzed by HR department. HR department bring out some training recommendation for each function. Training programs are divided to two main groups: General training and functional training. General training includes courses like management skills, negotiation, presentation, and etc. Functional courses are specialized for each function or job. HR director arranges training programs with training person in Turkey as Unilever Iran works under Turkey region that is called Unica. Then, they have to decide to implement training programs on the job, formal training, secondment and short expatriation, etc. on their budget and company's strategy. They have an explicit budget for training programs. Thus, they should prioritize the training programs. For example, if they find out that Sale department particularly requires learning specific skill, they would allocate the training budget to the sale department firstly.

Right now, Unilever is following the 3+1 target setting for all which means all managers must commit to 3 business related targets and on functional related. They are assessed end of the year against the achievement of the noted targets. For lower levels, performance appraisal is done.

PDP in Iran is not online because of the fact that they are sanctioned and they do not have intranet. Recently, they have tried to get permission from head quarter in the region.



Determination about the amount of salary at each level depends on different variables: type of compensation system, internal and external equity, market demand, etc. Also, they consider the salaries that are given by rivals and other companies in the market. Wage scale in Unilever is 80 percent to 110 percent at each level. Changes in basic income depend on inflation, market, and global variables. Every change in salaries should be confirmed by Unilever head quarters.

At the end of year Unilever pays variable pay (as bonus) which is calculated globally based on the local and global performance of the business. Then, the particular amount of money is divided among personnel. Every person is given certain percent of the money based on his/ her grade. Promotion in Unilever happens once one person's responsibilities domain develops.

Mr. Salehi claimed that they did not deviate from global Unilever standards and they had guidelines, but each International company had local policies. He said they could not decide about macro policies independently and they are controlled by regional head quarter. For example, they have to mention to Turkey head quarter how many managers they need to recruit for the following year. If they wanted to hire more managers than what they agreed on, they should justify the head quarter. Thus, they are not free to make choice in higher levels by themselves and they have to get permission. In some aspects, like training programs Unilever Iran should obey the global standards but they are more independent in determining contents of training programs.

Mr. Salehi stated that they did everything that their rivals in the market did for the employees as long as it is not deviated from Unilever macro policies. For example, Unilever do not give their employees loan, but Unilever Iran gives personnel loan because other companies in Iran do the same thing. He said he had to give Unilever managers loans for buying cars to keep deserved managers in Unilever Iran. Also, they provide complementary insurance and medical plan for personnel on the ground that all companies in Iran do such things. Mr. Salehi arranges a trip for all employees even for office boys (lower levels) annually. In other words, they need to do some extra things to keep their personnel happy and retain them, which might not be done in other Unilevers.

He was asked about the effect of sanctions and brain drain on HRM policies in Iran. He said sanctions affect banking systems and customs economically, but it has not change HRM policies yet. Besides, he thought that Iran had enough young people. Therefore, current brain drain has not yet become a cumbersome issue for Unilever HR.

There is no computer or internet based HRM system in Unilever Iran.

### **Interview report 6 (Confirmed)**

Name: Marjan Marzoughi      Position: HR director assistant      Date: 4/12/2010

Marjan Marzoughi works as an assistant of HR director in Unilever Iran. She was interviewed regarding HRM practices in Unilever Iran and standardization vs. localization of HRM practices. Her explanation is expressed in the following paragraphs.

Unilever Iran attracts job applicants through advertising in newspapers, and two popular recruitment websites of 'Iran talents' and 'Agah job'. Also, they announce required position inside of the company if internal personnel know someone to introduce. Marjan was questioned why they did not attract management trainees from the universities which is done by Unilever Benelux. She said that students and universities were involved with political things and it was not easy to go into, but they might consider it more in the future.

The procedures of people selection began with screening CVs and it follows by direct manager and HR manager interviews. Telephone interview is done but simple and basic questions are asked. Intelligence test previously used to be conducted, but it has been discontinued. Sometimes, some managers might want to take some tests from the applicants.

Training needs are analyzed based on PDP. They figure out each person what function or skill training needs. Courses are categorized in to tow groups. The first category is general like communication and presentation courses. The second group is specialized for a specific job. HR department first look what courses are available at Turkey training department. Then, they have to assess the cost and courses to decide to send a person to another country for training or train him/her locally. Sometimes, they use reputed institutions in Iran for 2 or 3 days workshops. They have individual development plan for everyone.

Performance appraisal is based on PDP. PDP includes personal target, career path, and standard of leadership (SOL). SOL considers some personal aspects like how much one person is external oriented, or growth minded (There are five competencies in the SOL). After managers and their subordinates agree on PDP's conclusion, managers and HR manager have meeting to discuss about personnel which is called functional resource committee (FRC). In the meeting they decide that each person what improvement needs or how his career future will be.

Salaries are based on job levels. The basic salary in Unilever Iran is decided by market surveys, Unilever global policies and government statutory figures.

Certain percent of Unilever income, which is based on personnel grades, is divided among personnel at the end of the year. They do not have formal plan for recognition, but they think about allocating specific budget (about 30- 40 Euro) to each manager for recognition programs.

They also give sport club cards to all the people regularly, but it is not reward. They also prepare free lunch for employees.

Marjan said that Unilever has some rules like that they cannot receive bribery or expensive gifts. Also, they are not allowed to defy country laws.

She was asked about standardization and localization of HRM. She gave example about travel policies. When someone is transferred from one country to another country, the benefits that he receives differ in every country.

She was asked about the influence of country problems like sanction, brain drain over HRM policies. She said sanction had not affected HRM policies yet. Besides, she thought that people's immigration is a personal matter and they cannot change people's decisions, but there is a chance in Unilever for people to leave Iran to be delegated to other countries.

The policies and salaries might be revised in the Board from time to time to be consistent with market practices.

There is no e-HRM because Unilever Iran does not have access to many online services because of global sanctions against country. They could overcome HRM issues without any special software or intranet.

Unilever Iran employs 240 people that about 100 are in factory, 100 in the office, and the rest of them are in other cities work as sale supervisors.

### **Interview report 7 (Confirmed)**

Name: Lennard Boogaard    Position: Vice president HR (Turkey, Israel, Iran and Central Asia)

Date: 8/12/2010

Mr. Boogaard was asked about standardization and localization of HRM in Iran and what difficulties they have in implying HR standards in Iran. The summary of the conversation is brought in the following paragraphs.

Unlike many companies that say they think global but act local Unilever tries to think local but act Global. That is, Unilever has global framework and guidelines but sometimes they should adapt them locally. Unilever has global practice for managers, but the way they do can be localized. For instance the Global framework indicates that Personal development plans should be made and provides a fixed format: The input however is fixed to local needs. A similar thing goes for the Work level system, that is the same global. Salaries and conditions are local.

One of the main problems of Unilever in Iran is that they could not apply many computer programs in Iran due to American sanctions. For example, they work with People Soft, HRM software, which is American company. They could have personal information of personnel in this software, but Mr. Boogaard does not have personnel's information of Iran because Iranian cannot use the software. They used to keep the information about Iran in the systems in Turkey. As the sanctions became stricter the service providing company Accenture prohibited us to do that and all records were deleted in PeopleSoft. Now they are kept in a spreadsheet. If Unilever's service provider Accenture to which all transactional HR is outsourced globally applied the software for Iranians, they would be penalized. Also, Iranian cannot Use Windows, Outlooks and they use Linux instead. Thus, Turkey head quarter has many problems in communicating. For example, Mr. Boogaard said when he sent e-mails for the first times to HR director in Iran, HR director received empty e-mails. They do not have intranet and they have to do many things on paper and mostly they use Linux applications.

Another issue is Accenture, a big American company that responsible for transactional HR services like personnel administration, training administration and organization, recruitment and payroll services of Unilever in 70 countries, but it does not work in Iran because it is American. Therefore, Unilever delegates recruitment to Iranians to use internal resources. In addition,

One of the main resources of recruitment for Unilever is university students and Unilever is the most proffered FMCG (Fast moving consumer goods) company amongst university student in for instance the Netherlands and Turkey in attracting students and employing students. In Iran they could not get into the Universities because the government does not let them to enter the University as a European company. Therefore, recently they tried to get into the university in

different ways. For example, they are going to support a competition in the university and they are going to have speech and introduce Unilever.

He was questioned about the difficulty of finding talented people in Iran. There is a lot of talent in Iran and Iranians are amongst the highest, if not are the highest educated people in the world. He expressed Iranian have different mindset regarding to promotion and training programs. For instance, they are expected to be promoted because of **the years** they are working in Unilever not their achievement. Also, they think that they should be paid based on seniority not based on what they do. Hence, Mr. Boogaard visits managers in Iran minimally 2-3 times in a year and explains them personally and gives them more knowledge about these issues. He tried to show them that Unilever is sort of different company by noticing to social responsibilities and the environment. Another thing is that Iranians focus more on formal training classes rather on learning on the job. Mr. Boogaard explained that 70% of training should be on the job and 20 % from senior manager and 10 % is formal trainings, but in Iran people have different mindset.

Another point is the life-work balance in Iran. He said Turkish people work hard, but Iranians have different approach to work and it seems they work less. Thus, Unilever should energize system internally by growing business faster, bringing more opportunities, and showing them how their future could be.

Unilever Iran has difficulties in advertising. For example, they cannot show hair in shampoo advertising because of Islamic values that are insisted by the government. Thus, Unilever try show people what type of company they are by caring about the Environment which is appealing for the Iranians.

Unilever Iran is a good place for women because they do not cover their hair in the office which is obligatory in the public places and companies in Iran.

He was asked about difficulty of implying standard HRM in Iran compare to other countries that he is responsible for. Mr. Boogaard is responsible for Turkey, Israel, Iran, and Central Asia. He said it differs based on their history. For example, Unilever is in Turkey for 60 years, but in Iran they work for 10 years that they have become serious for one year and half. Turkey has more global companies but Iran has less. Unilever cannot apply American systems in Iran. Besides, these systems do not support local language but they have fewer problems in Iran because English level of Iranian is better than other countries.