Chapter 1
Universal HRM and the Gulf Leadership Style:
The Perils of Best Practice

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EXECUTIVE SUMMARY

This case study aims to allow students, using various business dilemmas, to explore differences in approach between the most commonly taught "universal" models of human resource management (HRM), mostly based on Western culture and practices (Brewster, Farndale, & Ommeren, 2000) and a more contingent HRM predicated on the leadership culture prevalent in the Gulf Cooperation Council countries (Scott-Jackson, 2008). It aims to generate discussion of strengths and weaknesses of these different approaches to leadership and HRM as well as some recognition that there is a valid, distinctive Gulf Arab Management Style that is worthy of study and provides an alternative to more commonly recognized approaches. The supporting research was carried out between January 2011 and June 2012. It was largely based on interviews with 50 Gulf Arab leaders, together with action research and advisory work in 5 large Gulf companies (including the family conglomerate forming the basis for this case).

ORGANIZATION BACKGROUND

The case is based on a large family conglomerate founded in the early 60s by the present Chairman's grandfather. Many of the senior directors and leaders of the various sub-businesses were sons, grandsons and relatives of the father, together with one daughter who led a medical subsidiary. The business was formally owned by two brothers, the elder acting as Chairman and the younger as Chief Executive Officer (CEO). The business was originally founded to provide basic industrial supplies to the burgeoning oil industry, acting as an agent for several western brands. In the previous twenty years, utilizing capital generated from the original business stream, the firm had diversified widely into very different sectors, often based on the interests of members of the close family, including luxury cars, a school, medical supplies, a hotel, fish farming and property investment. There were thirty-six subsidiaries, of which only one had more than fifty staff. Many of the subsidiaries were built around well-known western brands, including a mineral water company and a security company. The total group employed just over five hundred people (~400 expatriates and ~200 nationals).The subsidiaries were all run by nationals (almost all relatives) except a construction subsidiary. A western Managing Director (MD) was recently recruited, through a recommendation from a friend to the Chairman, in order to increase revenues ten-fold in three years using group capital to acquire and grow market share.

The group as a whole had maintained steady revenue growth overall, enjoyed profit margins of around 20% (although individual company performance varied significantly) and had £20m available for investment and acquisitions. Reporting was relatively informal. Company accounts were produced for review by the main board annually but information on subsidiary activities was mainly obtained by visits from the brothers and informal discussions with a range of personal contacts at all levels. The chairman says "you can't rely on systems – people can always fiddle systems – you have to get out and see for yourself, you have to ask people their opinions and build informal networks of friendly contacts to get a feel for things".

The group was organized in principle as a holding company, where the center mainly makes investment decisions and leaves day to day management to the subsidiaries. However, the CEO and his brother, the Chairman, retained a high degree of personal authority including, for example, check signing for any payment over $3000. They tended to get involved in the management of subsidiaries to a greater or lesser degree depending on external pressure or interest (particularly from members of the ruling family), problems with important customers or their own personal interests. Certain acquisitions have been left largely independent and, given the individual

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