“Motivational rewards for knowledge sharing within the public and private sectors: the case of Saudi Arabian Airlines”

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Abstract

Human resource management practices and policies of any organization are significantly influenced by the sets of norms and values that are common within the surrounding societal culture. This research will investigate the extent to which societal culture and employees’ values contribute in shaping the practices and policies of human resource management, compensation and rewards systems in particular in relation to motivating knowledge sharing across employees, in organizations within the public and private sectors, specifically the case of Saudi Aerospace Engineering Industries department (SAEI) in Saudi Arabian Airlines. Also, in order to provide further details regarding the influence of societal cultures on a range of HR practices and in particular in relation to a range of reward systems to motivate knowledge sharing, interviews will be conducted along the different levels of management within Saudi Arabian Airlines. Furthermore, the research will pursue the employees’ opinions on the compensation and rewards systems and how they view them and which compensation and rewards systems motivate and appeal to them. Finally, based on the findings and outcomes of this research and interviews, conclusions and recommendations can be drawn out to provide explanations for this significance of societal cultures over HRM practices and policies.

1. Introduction

Every country in the world has a way of affecting organisational practices, whether through its local culture of the region, the traditions that might bind these practices, unique legislations or religious beliefs that restrict these practices within a certain scope. In addition, the success of an organisational model in a country does not necessarily imply its success elsewhere, as the norms and settings that these practices would function within its environment, might take a different shape. This research aims to explore the impact of the culture of Saudi Arabia on Human Resource Management (HRM) practice of compensation and rewards systems and
their impact on sharing knowledge within existing sectors, the public sector and the private sector. Specifically HRM practices within Saudi Arabian Airlines, which is going through the process of privatising all departments that exist under its umbrella. Saudi Arabian Airlines has been chosen in this research to represent both sectors due to several reasons. These reasons include the transitional phase that the organisation is going through which allows a unique insight into the differences and changes in the organisation’s HRM practices implemented before and after the privatisation process. In addition, investigating this unique environment will enable the research to analyse the impact of applying different HRM practices on departments accomplishing the same tasks. Also, this investigation will have the opportunity to highlight the reasoning behind employees’ choice in terms of employment agreement i.e. whether they choose to be considered private or public employees.

This investigation will help identify the issues with the current practices implemented in the HRM practice of compensation and rewards systems in the public and private sector through the Saudi Arabian Airlines as well as aiding understanding of the current situation. Furthermore, recognising the issues will assist to provide solutions to these issues and improve compensation and rewards systems within both sectors. In addition, the research will look at how compensation and rewards systems impact knowledge sharing among employees within the organisation. Finally, the government of Saudi Arabia is funding numerous projects for setting up the infrastructures, which several overseas companies are contracted to execute including a new state of the art airport. Therefore, the outcomes of this research will provide guidelines for the unique aspects of Saudi Arabia’s culture that can be of great assistance to those foreign companies

2. Literature Review

Several authors throughout the literature acknowledged the great impact of societal culture on HRM practices within compensation and rewards systems, as being one of the main HRM practices. The reason behind this importance is that the compensation and rewards systems of any organisation, can influence the morale of the organisation’s employees and inspire their performances [1]. Stone et al recognised the compensation and rewarding systems as a tool used by organisations to acquire potential personnel by increasing the desirability of the organisation’s vacancies, inspire existing personnel in achieving certain goals (such as achieving a desired standard of customer satisfaction, team work performance, improving the organisation’s financial status) and attract new personnel into the organisation [2]. Furthermore, rewards systems can help the organisation in nurturing a trusting, cooperative environment, which can indirectly
facilitate an enhanced knowledge sharing environment among employees and the organisation [3]. In addition, rewards can be utilized to inspire individuals to perform in the desired manner (including sharing knowledge) [33]. Collins and Smith provided support to this argument through their study, which summarized that commitment-based HRM practices such as compensation and rewards systems can affect the level of success achieved by organisations through influencing an organisational climate of sharing, trust and togetherness that lead to sharing and merging knowledge that develop organisations’ practices [4]. Yahya and Goh weighed into this topic by stating how organisations should structure their compensation and rewards systems in order to create this environment of trust and cooperation that increases sharing knowledge [5]. They stated that organisations should create a pro-collaborative climate by assessing the employees’ work on three bases; sharing their knowledge with the group, work attitude and the input of the individual for the team functioning. Yahya and Goh added that organisations with rewards systems based on individual efforts create a hostile environment towards collaborations and knowledge sharing among employees [5].

As for the relation between the societal culture and the rewarding and compensation systems effectiveness, Joshi and Martocchio detailed how the values of the employees culture can affect the rewarding and compensation system of an organisation and the level of success this system can achieve, as the rewarding and compensation system needs to be involve the values shared by the employees of an organisation in order to be fully effective [6]. Erez illuminated how the financial aspect of these compensation and rewarding systems can be of such high importance through explaining that employees within an organisation use these rewarding systems as a method of appraising their own performances [7]. Furthermore, these rewarding systems can be an invisible element in providing employees with the required motivation in order to reach the aspired work rate preferred by the organisation [7].

Stone et al suggest that the societal culture values shared by the individuals of any culture, heavily influence the degree of success of these compensation and rewarding systems benefits and how they are perceived by the employees as well as influencing the way these compensation and rewarding systems are structured in order to be embraced the employees within any organisation [1]. Moreover, adopting the most convenient rewards system within organizations, contribute greatly to job satisfaction among the employees, as in the case of job dissatisfaction. Furthermore, organisations could end up facing high levels of stress on the employees behalf, which lead to several negative consequences such as decline in performance, increase in absenteeism and losing the commitment and loyalty of the employees that will eventually reflect badly in staff turnover [8]. In addition, the absence of an effective rewards system in an
organisation could lead to employees losing interest and motivation in sharing their knowledge, which is crucial for any organisation aiming to develop its best possible practices [9]. Furthermore, Benkhoff study showed very strong ties linking employee turnover with the levels of job satisfaction and commitment [10]. Lok and Crawford offered an explanation for the scenario when employees are dissatisfied with their jobs, this scenario starting with employees looking for other career alternatives while exhibiting lack of commitment to their current jobs and if the their pursuit of alternate careers do not materialize, they lose interest in their current jobs even if they decide to stay in their current positions [11]. Riketta reflected on the importance of maintaining high employees commitment and loyalty due to the fact that those two aspects are crucial to the whole performance of the organisation [12]. Another potential risk within the dissatisfaction of employees affects the level of knowledge sharing, as the organisation lose the employee as well as their knowledge [29].

3. Gaps in the Literature

After exploring the existing literature associated with HRM and societal culture, the lack of the literature discussing HRM practices within the cultural context has been highlighted by several researchers. Moreover, the majority of the research conducted was accomplished three decades ago. Therefore, this majority does not take into account the recent development in the region targeted in this research, namely Saudi Arabia. As a result, this section of the research will discuss the shortcomings of the existing literature and aim to provide scientific values for this research to be conducted. Brannine and Pollard addressed the shortage of literature in linking HRM with societal culture from several angles. Specifically, the religious aspect of culture, Islamic teachings are a strong element in the societal culture of Saudi Arabia. Firstly, although interest in management within Arab countries has been renewed and drawn much attention after the financial crisis, this interest mostly focused on the banking and economics principles from an Islamic view without any consideration for the cultural context [13]. Secondly, most efforts spent on explaining the cultural context were purely based on opinions and theories without any factual studies to significantly support these opinions and theories [13]. Thirdly, even though management practices in Arab countries implement both western and Islamic philosophies, the focus has been targeted towards the Western part [13]. Finally, Brannine and Pollard found even that the principles being taught based on the studies conducted by Hofstede [14], which included Saudi Arabia, couldn’t be applied in real life and often clashed with reality. By the end of Brannine and Pollard study, they suggested that there is a genuine need to address the cultural context within this topic in order to fill the existing gap in the literature [13]. Another study that highlighted the lack in the
existing literature was conducted by Sayed and Ali [15]. They have stated that there is a massive area within HRM practices involving the Islamic societal culture that remains uncharted. Although there is a considerably great amount of studies covering the Western and global aspect. However, the region including Saudi Arabia was not covered in these studies that were conducted on a global scale [15]. Furthermore, Sayed and Ali suggested that a need exists to explore this uncharted territory with comprehensive studies that will help examine the current situation, which can help Western businesses develop a better understanding of the societal culture existing in the region [15]. Also, one of their main recommendations involves conducting a study focusing on a single country, which is one of the objectives of this research. More research addressed the shortage in the existing literature. One of these researches was the one conducted by Mellahi et al.

In that research, Mellahi et al suggested that although Middle Eastern countries (including Saudi Arabia) had reached great heights in the business world recently, there are still scarce and limited knowledge of its management practices. Mellahi et al added that to this current time, little knowledge has been produced regarding the area’s management practices and there is a need to expand this knowledge due to the growing importance of the region [16]. Mellahi et al cited Godley and Shechter [17] research on organisations and their practices in support of their argument, which stated that although Middle Eastern countries carry great political and economical value around the world, they surprisingly remain detached and unapproachable. Furthermore, the research went on to discuss how most interest in the Middle East evolved around its politics and ongoing turbulence. Consequently, the majority of the literature generated about the region discussed those issues and were the main focal points [18].

Moreover, the general belief on this region assumes that since the region is in contentious disorder, the region is barren of successful organisations. However [19], Kavoossi stated that numerous organisations that are based in the region experience successful and profitable state [19]. Mellahi et al then concluded that all of these justifications warrant the Middle East more exposure within the management literature. Another research highlighting the shortcomings in the existing literature is the research done by Ryu et al [20]. This study addressed the gaps in the literature from the angle of collectivistic cultures and the studies conducted previously. Their argument stems from the basis that the majority of studies conducted on collectivistic cultures tendencies focused on a superficial level without in-depth analysis on these collectivistic tendencies. Moreover, the majority of these studies did not take into account the significant impact of national cultures. Also, Ryu et al addressed that the majority of studies such as conducted on collectivistic cultures Hofstede [21] were in fact conducted in Western countries.
where individualistic culture is the prevailing culture. Ryu et al added further that these studies ignored the element of national culture, which instill most values in individuals belonging to a collectivistic culture and instead focused on relationships within organisations. Finally, Ryu et al highlighted the importance of expanding on the knowledge of the national culture element, as the global economy is increasing with businesses being conducted all over the globe [20]. Therefore, developing an accurate understanding of collectivistic cultures is crucial. Ryu et al added another gap in the management literature. In his study, Rokhman discussed the work ethics practiced in Islam [22]. This study stated that even though interest has amplified regarding the topic of work ethics, most of this interest was involving Western countries such as the United States and Europe where Islamic work ethics are embraced by the minority. Therefore, these studies do not represent the true picture of Islamic work ethics. As a result, Islamic work ethics remain mostly unexplored [22].

Rokhman concluded that there is a need to expand on the Islamic work ethics in the literature due to the sizable numbers of individuals who adopt these work ethics. Another reason is to debunk some of the misconceptions about the Islamic work ethics. One example of these misconceptions was represented through Weber’s hypothesis. Weber argued that no economy could be sustained in an Islamic environment because he believed that most of capitalism requirement are in contradiction with the Islamic teachings [23]. Rokhman countered this misconception by citing Abeng that one of the most fundamental elements of human life and faith in Islam is work [24]. Also, Rokhman cited Arslan empirical study to encounter Weber’s misconception concerning the effectiveness of Islamic work ethics [25].

Arslan conducted a study involving Turkish and British managers to measure their performances and effectiveness in general management. In this study Turkish managers managed higher points than British managers even though the study was conducted within a Protestant Work Ethic context. Therefore, Rokhman considered Weber’s argument regarding work in Islam as invalid and does not represent the actual situation. Thus increasing the need to explore and research the management practices in Islamic countries. Smale commented on the limited amount of literature available of HRM practices specifically for multinational corporations adopted HRM practices in foreign countries [26]. Smale cited Sparrow in support that the existing literature is currently lacking in scope and amounts. Moreover, there is a need for research linking HRM practices and knowledge of the complex elements within the culture surrounding organisations [27]. Furthermore, Smale stated that although interest has grown in HRM within multinational companies (MNC) during the past twenty years, the existing literature is being critiqued and faulted for its single-mindedness over drawing out general tendencies.
and overall themes without exploring the multiple layers of details underneath these themes and trends. Also, the policies adopted by organisations and the national impacts were among the missing elements that these studies overlooked [28].

4. Methodology

4.1 Sample size

As with any research study implementing the use of the questionnaires, a sample size needs to be determined. As this research is interested in Saudi Arabian airlines, its Saudi Aerospace Engineering Industries department to be specific, this department employs around 200 engineers along with supporting staff. However, as this research focuses on the engineering aspect of the department and its main core tasks, the population of this organisation will be focused on the engineers. Therefore, the 200 engineers will represent the population and the research will target all 200 engineers in the data collection process.

4.2 Interviews

In addition to questionnaires targeting the engineers, a set of interviews were conducted face-to-face with the HR managers and supporting staff involved with the compensation and rewards system at SAEI’s HR offices. The interviews followed a semi-structured design to develop the best possible outcomes. As for the analysis of the data, the interviews were transcribed verbatim, written up and reviewed line by line for the purpose of implementing the coding approach adopted by Strauss and Corbin [29]. The interviews consisted of four main themes and they were as follow:

4.2.1 Compensation system basis:
The HR managers were asked how the compensation and rewards system have evolved throughout the years and to highlight the motives behind the changes if any, to the existing compensation system.

4.2.2 Rewards system basis:
The HR managers were asked whether the organisation deployed a specific rewards system based on financial or non-financial basis, or whether the organisation was implementing a mixture of the two.

4.2.3 Preferred rewards:
This theme is concerned with the employees' preference and choice when it comes to rewards. The investigation explored whether Saudi employees have shown any tendencies in preference when it comes to rewards systems. Moreover, another
element within this theme concentrated on whether Saudi employees have shown a stronger preference in either financial rewards or non-financial rewards. The HR managers were given the opportunity to express their personal views on two aspects.

4.2.4 Societal culture and rewards systems:
HR managers were then asked whether they believe that the cultural background of the employees had any impact on the employees selection of the rewards systems, and if that was the case, HR managers were asked how does that impact occur. As for the second aspect, HR managers were asked if they could highlight any differences they might have noticed between Saudi employees and foreign employees in terms of the preferred rewards systems.

4.3 Questionnaires
4.3.1 Compensation system basis of choice:
This section investigated the approach that employees prefer to be compensated with. Employees were given two options. The first option is for employees to be compensated equally, where employees who are on the same level are compensated similarly. The second option given is for employees to be compensated separately, where they are compensated on the amount of work they have accomplished and the objectives they have met.

4.3.2 Rewards system basis of choice:
This section was concerned with the employees’ preferred rewards. Employees were given two options of rewards. The first option is financial rewards, which encompasses monetary bonuses and pay-rises. While the other option non-financial rewards, which encompass holidays, extra days off work or perks such as parking spaces and better office space.

4.3.3 Feedback on rewards:
The final section allowed the employees to express their reasoning for choosing their preferred rewards packages and why they represented better value to them. Employees were given an opportunity to comment on ‘preferred’ rewards that were not included in the questionnaire.

5. Findings and results
5.1 Interviews findings
5.1.1 Compensation system basis:
This theme in the interviewing process discussed the currently implemented compensation and rewards systems within SAEI and the bases that those systems are built upon. HR managers indicated that SAEI implements a Step-Grade
system, which inspire employees to maintain high levels of motivation by knowing they will be rewarded for excelling performances. As for the evolution in compensation system over the years, the HR managers confirmed that there were changes. However, those changes could be described as incremental.

5.1.2 Rewards system basis:
The HR managers were asked about the elements that the HR department considers important while setting up the compensation system. The HR managers stated that there are three specific elements organisation’s reputation, image and desirability. As for the second aspect within this theme, it was investigating the factors that were considered relevant and integral while setting up the rewards systems. The HR managers reiterated that rewards and bonuses are much more correlated with the performance appraisal process and dependent on employees’ performances. The final aspect within this theme investigated whether these rewards are strictly financial or non-financial. The HR managers responded that employees have the leisure to choose the form of rewards they prefer and that the organisation offers its employees both types of rewards and bonuses.

5.1.3 Preferred rewards:
The interview turned its attention towards Saudi Arabian culture and its relation to rewards systems. The HR managers stated that if there were a major trend to be detected among Saudi employees when it comes to choosing a preferred rewarding system, Saudi employees tend to favour a combination of both rewards systems the financial and non-financial. The aspect that followed investigated whether there can be a rewarding system that is a favourite among Saudi employees. The HR managers responded that Saudi employees do indeed have a preference of financial rewards on the long term. However, for the short term, Saudi employees favour a mix of financial and non-financial rewards.

5.1.4 Societal culture and rewards systems:
This section enquired whether the organisation setup of the compensation and rewards systems was affected by cultural background of the employees and if that was the case, how was it implemented. The HR managers explained that cultural backgrounds of the employees did impact the setup of some aspects of the compensation and rewards systems. For example, the introduction of time-compensation reward would be a prime example of this impact. Finally, comparisons were made between Saudi employees and foreign employees based on their preference for the compensation and rewards systems. The HR managers replied that no comparison could be made between Saudi employees and foreign employees, and that both set of employees share numerous similarities when it comes to the compensation and rewards systems.
5.2 Questionnaires findings

5.2.1 Private sector employees

5.2.1.1 Compensation system basis of choice:
This section targeted the basis for which compensation systems should be based on, from the point of view of the private engineers. Whether they should be based on equity or equality. The majority of engineers stated that they prefer a compensation system that is based on equality. Indeed, 129 engineers out of the 154 representing a percentage of 84%, while the remaining percentage of 16% represented by 25 engineers voting for a compensation system based on equity.

5.2.1.2 Rewards system basis of choice:
The preferred rewards system basis was investigated based on the preference of the private engineers, whether they prefer a rewards system that rewards them financially or in a non-financial form. Nevertheless, it is worth noting that the engineers were given the permission to choose either or both types of rewards depending on their preference. The response was clear as the greater percentage chose the financial rewards with a percentage of 76% of engineers stating that they prefer to be rewarded financially, while the remaining percentage of 24% chose the non-financially based rewards.

5.2.1.3 Feedback on rewards:
The last section in the questionnaire provided the engineers with the space to express their personal opinions on what rewarding systems they would like to see implemented in the organisation. The majority stated that they would like a rewarding system that reflects recognition and appreciation for their work. Other engineers provided specific criteria in their answers by stating that being rewarded with a promotion should cover both basis of rewarding financial and non-financial. However, the majority of engineers expressed their preference towards pay rise without the promotion mentioned previously. Another group highlighted that they would like to be rewarded with extra days off. Other group stressed that they are accepting any rewards systems as long as they provide financial and non-financial rewards. On the other hand, some engineers expressed their desire to be given the chance to improve by being given training opportunities.

5.2.2 Public sector employees

5.2.2.1 Compensation system basis of choice:
Public engineers were asked as to whether they prefer a compensation system that is based on equality or equity. The response exhibited a decisive result with the majority of public engineers favouring the compensation systems based on equality with a percentage of 72% represented by 33 engineers out of the total 46
of public engineers working at SAEI. However, the remaining 13 public engineers voted for a compensation system that is based on equity representing the remaining 28%.

5.2.2.2 Rewards system basis of choice:
Public engineers were given two options in terms of rewards. The first option is to be rewarded financially, while the second option is to be rewarded in a non-financial nature. However, as stated in the exact parallel section in the private engineers’ questionnaires, the public engineers were given the freedom to choose both options or make a combination of their preferred rewards. Their response showed overwhelming support in favour of financial rewards with a commanding percentage of 68%. While the remaining 32% voted for a non-financial rewards system. However, it is important to mention that there were a considerable number of public engineers in support of a hybrid rewards system benefitting from both the financial and non-financial systems.

5.2.2.3 Feedback on rewards:
Public engineers were allowed the space to express their views on what they think would make the best rewards. The answers varied greatly. Some of them highlighted general outlines for the perfect rewarding systems by stating that any sort of financial and moral rewards combined will be great. Others went into details mentioning specific rewards that they see as befitting rewards such as extra days off and free tickets allowance. Another group came up with a reward encompassing both financial and non-financial elements by stating that promotion should be enough reward, as it could combine a pay rise and moving up the grade ladder within the organisation. Other engineers highlighted that they would like to be rewarded by being given the opportunity to do overtime and travel. A different group confessed that any types of rewards are welcome, as long as they are showing recognition and appreciation to their work and efforts.

6.1 Discussion and Conclusion:
The research began with the aim of understanding the influence of societal culture in Saudi Arabia in setting up an effective compensation and rewards system that would greatly facilitates a nurturing an environment that enables amongst other things, knowledge sharing. However, this aim required a detailed investigation of Saudi Arabian societal culture, which led to recognising that there is a greatly unexplored research area concerning Saudi Arabian societal culture and HRM practices. This recognition of the unexplored area was highlighted by many researchers in this topic.

Thus, Saudi Arabian Airlines has been chosen as focal point in a case study, specifically Saudi Aerospace Engineering Industries (SAEI) department, as the
the company is going through a privatisation process, which created this unique situation where some of the engineers still belong to the public sector, while the other group of engineers has signed private contracts. The investigation involved two main aspects conducting interviews with the HR managers and disseminating questionnaires among the engineers.

As for the findings of data collection process, they have provided great support for the hypotheses found in the existing literature, starting with the HR managers, who confirmed that one of the main goals of the utilised compensation system of Step-Grade system is to maintain high levels of motivation among its employees and inspire them to improve their performances [1]. Moreover, the HR managers supported the views found in the existing literature that proposed that the societal culture places great impact on the setup of the compensation and rewards system [6]. They even provided an example of this impact through the time-compensation, where employees are rewarded with a combination of financial rewards and holidays, as a result of the Saudi employees expressing their preference for this type of rewards.

As for both sets of engineers involved in the questionnaires, their answers have expressed their preference for a rewards system that encompasses both financial and non-financial rewards. This outcome confirms the preference noted in the HR managers’ interviews and the hypotheses proposed in the existing literature. Where they have stated that the societal culture plays an integral role in setting up the preferred compensation and rewards systems [2]. In addition, both sets (public and private) of engineers were in agreement with the existing literature regarding equality being their preferred basis for the compensation system. In the case of public engineers, 72% represented the majority of public engineers voting in favour of a compensation system based on equality, while 84% of the private engineers chose the same basis for their preferred compensation system.

All these findings and results build toward the notion that there is a great connection between compensation and rewards systems and knowledge sharing. This connection exists in the manner that employees can be inspired to share knowledge if they were rewarded [31] [32]. Not only in the sense that employees would be rewarded for sharing their knowledge [33] [34], as this approach might not always yield the best results [30]. But through motivating employees via the ideal implementation of compensation and rewards system within the organisation that will create the best medium for knowledge sharing to take place [4]. In this case the organisation can ensure to provide a platform for knowledge sharing.

Further aspect to consider is matching the rewards to the employees’ preference and this is where societal culture and its importance feature in sharing knowledge.
Wolfe and Loraas stated that organisations need to understand the preferred rewards of their employees in order to increase knowledge sharing [35]. While the key to understand the preferred rewards is to understand the societal culture values shared by the employees, which determine their preference in rewards.

Based on the findings and results of the data collection process, it can be concluded that compensation and rewards systems can be considered as great motivational tools in creating a nurturing environment of trust, loyalty and togetherness for great levels of knowledge sharing [7] [5]. However, one of the key ingredients in installing an effective compensation and rewards system is understanding and incorporating the societal culture in the setup of this system [2]. Thus, the inclusion of the societal culture in the setup of compensation and rewards systems suggests a great significance in determining the levels of knowledge sharing.

References


