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**The Impact of Inward FDI on
The Management of Human Capital
Development in Developing Countries:
*Lessons from Saudi Arabia***

A thesis submitted for the degree of Doctor of Philosophy

By

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَقَدْ
رَبِّ زِدْنِي عِلْمًا

قَالُوا سُبْحَانَكَ لَا عِلْمَ لَنَا إِلَّا مَا عَلَّمْتَنَا إِنَّكَ أَنْتَ الْعَلِيمُ

الْحَكِيمُ

Abstract

The level of human capital development depends upon the quality of education and training which in many developing countries is low. In addition, the quality of human skills and knowledge is one of the key determinants of inward foreign direct investment (IFDI) in to developing countries. Literature witnessed the knowledge and skills gaps despite substantial investment in the education, training and human capital development. IFDI could fill the knowledge and skills gap in host developing countries. The aim of this research is to examine the impact of IFDI on human capital development in developing countries through FMNE subsidiaries' human resource development and training programmes on local managers' knowledge and skills development and the resultant impacts on local organisations and thereby on local human capital development. Qualitative methodology applied to analyse semi-structured interviews with a convenience sample of 24 managers working in FMNE subsidiaries and local organisations in the Kingdom of Saudi Arabia (KSA). Findings showed that FMNE subsidiaries consider the development of knowledge, skills and abilities of the local managers as a strategic investment. Consequently, short and long training and development (T&D) programmes for local managers are provided both locally and overseas. FMNE subsidiaries trained local managers move from FMNE subsidiaries to local organisations for financial benefits, career progression and other reasons such as higher authority, balance between work and family, favourable location, avoiding work pressure and job security and stability. The mobility of FMNE subsidiaries trained local managers to local organisations leads to human skills and knowledge spillovers such as transfer of knowledge and skills, advancement of professional capabilities, improvement in work behaviours and development of intrapreneurial skills. These spillovers result in upgrading of management skills, availability of intrapreneurial skills, changes in work behaviour and ethics and improvement in capabilities and performance in local organisations. IFDI by FMNE subsidiaries thus leads to positive impacts on the local human capital development such as development of local knowledge and skills, leadership, professional capabilities and competencies in host developing countries. This study provides evidence that IFDI has positive contributions in local human capital development in host developing countries. Natural resource rich countries like the KSA should focus on good IFDI that not only exploits the natural resources but also contributes to local human capital development.

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The researcher has produced the following publications from this PhD research study

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List of Abbreviations

ARAMCO	Arabian-American Oil Company
CEO	Chief Executive Officer
EU	European Union
FDI	Foreign direct investment
FMNE	Foreign multinational enterprise
FTAs	Free Trade Agreements
GCC	Gulf Cooperation Council
HCD	Human Capital Development
HRD&T	Human Resource Development and Training
HRM	Human Resources Management
IFDI	Inward Foreign Direct Investment
IMF	International Monetary Fund
K&S	Knowledge and Skills
KPI	Key Performance Indicator
KSA	Kingdom of Saudi Arabia
MENA	Middle East and North Africa
MNE	Multinational Enterprise
NVivo	Qualitative data analysis software
OECD	Organization for Economic Cooperation and Development
OFDI	Outward foreign direct investment
PDR	Performance Development Review
R&D	Research and Development
ROI	Return on Investment
SAMREF	Saudi Aramco Mobil Refinery
T&D	Training and development
UAE	United Arab Emirates.
UNCTAD	United Nation's Conference on Trade and Development
US	United States
VP	Vice President
YANPET	Saudi Yanbu Petrochemical Company

1 CHAPTER 1: INTRODUCTION

This thesis aims to study the impact of inward foreign direct investment (IFDI) on human capital development in developing countries. This study therefore explores foreign multinational enterprise (FMNE) subsidiaries' human resource development and training programmes for local managers' knowledge and skills development, trained local managers' mobility from FMNE subsidiaries to local organisations, the resultant spillovers and impacts on local organisations and IFDI contributions in local human capital development in host developing countries.

Undertaking an empirical study on the impact of IFDI on human capital development in developing countries is imperative because there is a gap of empirical research on IFDI led skills and knowledge related spillovers in host developing countries (Hale and Xu, 2016). In addition, systematic review of literature on IFDI led spillovers in developing countries has revealed that there is a gap in the empirical literature on IFDI spillover impacts on local organisations mainly in the services sector in developing countries (Gerschewski, 2013). Moreover, most of the earlier empirical research on IFDI led spillovers of human skills and knowledge transfer and their impacts in host developing countries is mainly quantitative (Leshner and Miroudot; 2008; Bekes, Kleinert and Toubal, 2009; Balsvik, 2011; Asli, Behname and Noormohamadi; 2012; Hakkala and Sembenelli, 2012). More importantly, there is a limited qualitative empirical research on IFDI led human skills and knowledge spillovers through labour mobility in developing countries (Gachino, 2012). Thus, there is a need for undertaking qualitative research to study IFDI led human capital development in developing countries and IFDI led spillovers and their impacts in developing countries (Ghauri and Firth, 2011;

Gerschewski, 2013). Thus, the present study attempts to fill this gap in the body of knowledge.

In developing countries, IFDI is associated with direct and indirect impacts (Girma et al., 2015; Hale and Xu, 2016). The direct impacts of IFDI include supply of financial capital to the host countries (UNCTAD, 2017, p. 12-13) and positive impacts on local labour market such as increased employment, higher wages and increased productivity (Hale and Xu, 2016). The indirect impacts of IFDI, also known as spillovers or externalities (Newman et al, 2015; Hale and Xu, 2016), include supply of technology (Cui, Chen, and Chang, 2017; Amoroso and Müller, 2018; Jude, 2016), increase in productivity (productivity spillovers) (Gachino, 2017; Sari, Khalifah, and Suyanto, 2016), transfer of skills and knowledge (skills and knowledge spillovers) (Kim and Park, 2017; Ali, Cantner, and Roy, 2016; Foster-McGregor and Pöschl, 2016) and labour market spillovers such as increased wages in local organisations in host developing countries (Hale and Xu, 2016).

Many developing countries are therefore trying to attract more IFDI (Gerschewski, 2013) by taking reforms such as formulating pro-IFDI policies and regulations and offering tax incentives to FMNE subsidiaries (Cleeve, Debrah and Yiheyis, 2015). Consequently, IFDI has increased in to developing countries, which received about 37% of total global IFDI in 2016 (UNCTAD, 2017, p. 11). Analysis of IFDI in developing countries shows that 68.5% (US\$ 443 billion) of global IFDI went to Asian countries (UNCTAD, 2017, p. 12) with differences in the regional share i.e. 81.6% went to East and South-East Asia, 12.1% in South Asia and 6.3% in the Middle East (UNCTAD, 2017, p. 222-225). In the Middle East region, about 70% of IFDI went to Turkey (43.1%) and Saudi Arabia (26.8%) in 2016 (UNCTAD, 2017, p. 224).

The case of IFDI spillovers in the Middle East is interesting because this region includes oil rich countries such as Saudi Arabia, Iraq, Qatar and Kuwait. Saudi Arabia is the most important among these countries because it has the largest oil reserves, the largest market size and the richest economy in the region. Saudi Arabia has also large financial capital but it has low human capital development (Jehanzeb, Rasheed and Rasheed, 2013; Jehanzeb, Hamid and Rasheed, 2015), which needs to be developed to meet the needs of the labour market. Therefore, human capital development has been included in the top priority areas in the Vision 2030 agenda of Saudi government (Government of Saudi Arabia, 2017, p.69).

Saudi Arabia therefore provides an ideal context to study IFDI related human skills and knowledge spillovers from the perspective of developing countries, which is an under researched area especially from the qualitative research perspective (Ghauri and Firth, 2011; Gachino, 2012).

This chapter is divided into 10 sections. The first section introduces the research topic, outlines background literature on IFDI and spillovers, and suggests that Saudi Arabia provides a good context to undertake this empirical study. The second section describes IFDI and spillovers. The third section provides a review of published literature on FMNE subsidiaries and their role in human capital development in developing countries. The fourth section describes the research problem and gap in the existing literature based on the review of earlier studies. The fifth section presents the rationale for undertaking the present study. The sixth section reports the potential contributions of this study. The seventh section presents the aim and objectives of the study. The eighth section reports research questions, which are answered in this study. The ninth section provides an overview of the research methodology that is used in the present study. The last (tenth) section outlines the structure of this thesis.

1.1 FDI and Spillovers

Foreign direct investment (FDI) is important for economic growth (Amadeo, 2014) and many governments consider inward FDI (IFDI) as a catalyst for development (Békés, Kleinert and Toubal, 2009). Thus, global investments of IFDI have led to a phenomenal growth of multinational enterprises (MNEs) especially in the United States of America (USA) and European Union (EU); and MNEs have been provided with funding and expertise to invest and operate in developing countries (Griffith, Waithe and Craigwell, 2008).

To reap the fruits of IFDI, policymakers in many developing countries have shunned their traditional hostile view towards IFDI that was perceived as parasitic and retarding the development of domestic industries and they have adopted a deliberate and aggressive approach for attracting IFDI (te Velde, 2002). Several developing countries have actively removed barriers to IFDI considering it as a primary source of financial capital flows in the economy (Fosfuri, Motta and Ronde, 2001). IFDI is not only a source of foreign exchange but also the technology, knowledge and skills, trade and employment in developing countries (Miyamoto, 2003, 2008). The other most notable rationale for offering special incentives to attract IFDI frequently derives from the belief that IFDI produces positive externalities in the form of spillovers (Carkovic and Levine, 2002).

IFDI Spillovers have been defined as the “IFDI generated externalities or indirect effects in further than originally intended in the sector of IFDI in the host country” (Lucas, 1988). The issue of IFDI spillovers was first brought to the international business attention in the pre-1960 period (Spencer, 2008) and it has developed since then as described below. IFDI results in different types of spillovers, which include technological spillovers (Cui, Chen, and Chang, 2017; Amoroso and Müller, 2018; Jude,

2016), productivity spillovers (Gachino, 2017; Sari, Khalifah, and Suyanto, 2016) and human skills and knowledge spillovers (Kim and Park, 2017; Ali, Cantner, and Roy, 2016; Foster-McGregor and Pöschl, 2016). These spillovers can occur horizontally in the local organisations in the same industry as that of a FMNE subsidiary (Hale and Xu, 2016) and vertically in forward local organisations (downstream firms that use outputs of FMNE subsidiaries as intermediate inputs) and backward organisations (upstream firms that supply intermediate inputs to FMNE subsidiaries) (Hale and Xu, 2016; Dogan, Wong and Yap, 2017).

Human skills and knowledge spillovers can occur horizontally to local organisations due to the labour mobility such as workers and managers from FMNE subsidiaries to local organisations (Orlic, Hashi, and Hisarciklilar, 2018). The mobility of local workers and managers from FMNE subsidiaries to local organisations has been the focus of recent research (Gachino, 2014, Jude, 2016; Orlic, Hashi, and Hisarciklilar, 2018) due to its spillovers such as productivity spillovers (Balsvik, 2011; Demena, and van Bergeijk, 2017; Demena and Murshed, 2018), human skills and knowledge spillovers (Narula and Pineli, 2017).

In developing countries, IFDI spillovers represent processes whereby local organisations in the host country learn and benefit from FMNE subsidiaries (Zhang et al., 2010). Spillovers are generally measured as the impact of the presence of FMNE subsidiaries on the productivity, human skills and knowledge and intrapreneurial skills in local organisations (Gerschewski, 2013; Perri and Peruffo, 2016; Spencer, 2008). The most significant positive impacts of IFDI spillovers in developing countries include investment development, innovative capacity enhancement and organisational and management practices improvement (Mallampally and Sauvart, 1999), training of local managers and workers, international production networks, awareness of access to

markets and productivity gains through doing things in a more efficient manner (Görg and Greenaway, 2004).

IFDI is a major source of human skills and knowledge transfer from developed countries to developing countries (Mallampally and Sauvart, 1999; Xu, 2000; Miyamoto, 2003, 2008; Shahmoradi and Baghbanyan, 2011). Thus, IFDI contributes in human capital development in host developing countries (Miyamoto, 2003, 2008) through the training and development of local managers and workers by FMNE subsidiaries (Bhaumik and Dimova, 2013; Miyamoto, 2008; Bruno and Campos, 2013; Jude and Leveigue, 2015).

In host countries, IFDI results in human skills and knowledge spillovers occur across sectors and between industries (Seyoum, Wu, and Yang, 2015). More importantly, IFDI spillovers can be both positive and negative depending on the type and size of local organisations (Sari, Khalifah, and Suyanto, 2016; Sharma, 2018). For example, Seyoum, Wu, and Yang (2015) found technology and human skills and knowledge spillovers from FMNE subsidiaries to be positive in local organisations with higher absorptive capacity but negative spillovers to local organisations with a low absorptive capacity. In addition, IFDI results in negative impacts on small local organisations (Sharma, 2018) and in low technology sector industries (Jeon, Park, and Ghauri, 2013).

IFDI spillovers and their impacts on local organisations in host developing countries have also been challenged (Görg and Greenaway, 2004). For example, development of local human capital mainly benefits FMNE subsidiaries through increased performance rather than benefiting local organisations (Bhaumik and Dimova, 2013). There are negative spillover impacts on local organisations with low absorptive capacity (Seyoum, Wu, and Yang, 2015). The negative spillovers also occur due to competition (Kinuthia, 2017; Hakkala and Sembenelli, 2012), which compels local organisations and businesses to decrease their outputs and reduce productivity (Cook, 2008). IFDI could therefore

leads to crowding out of local organisations (Arnold and Javorcik, 2009; Guadalupe et al., 2012).

Empirical research shows that IFDI contributes in the human capital development in host developing countries (Miyamoto, 2003, 2008) through FMNE subsidiaries' investment in the development of knowledge and skills of local managers and workers (Blomstrom and Kokko, 2003; Miyamoto, 2008; Bhaumik and Dimova, 2013; Bruno and Campos, 2013; Schaaper et al., 2013; Jude and Levieuge, 2015). In addition, IFDI is a major source of human skills and knowledge transfer from developed countries to developing countries (Mallampally and Sauvart, 1999; Xu, 2000; Miyamoto, 2003, 2008; Shahmoradi and Baghbanyan, 2011) because of spillovers of trained local managers' mobility (Meyer and Sinani, 2009; Masso, and Vahter, 2016).

Thus, IFDI contributes in the improvement of human capital development in developing countries (Gerscowski, 2013; Ghauri and Firth, 2011; Gachino, 2012, 2014; Perri and Peruffo, 2016).

1.2 IFDI and Human Capital Development

IFDI and human capital development reinforce each other through complementary effects (Soltanpanah and Karimi, 2013) and both are the key drivers of growth and economic development in developing countries (Miyamoto, 2003, 2008; Gittens and Pilgrim, 2013). For example, IFDI allows a host country to introduce and develop knowledge and skills that are not readily available to domestic investors, and in this way IFDI contributes in increasing the productivity and economic growth, which would not occur without IFDI (De Gregorio, 2003). In addition, IFDI paves the ways for establishment of FMNE subsidiaries that employ local managers and workers and invest in the training and development (T&D) of their local employees in host developing

countries (Blomstrom and Kokko, 2003; Schaaper et al., 2013). In developing countries, the knowledge and skills of local managers and workers are usually below the standards and requirements of the FMNE subsidiaries (Lion, 2001; Slaughter, 2002). Developing countries therefore provide incentives to FMNE subsidiaries to encourage IFDI (Cleeve, Debrah and Yiheyis, 2015), especially for local human capital development (Miyamoto, 2003; Zhao and Zhang, 2010).

It is argued that developing countries that offer incentives to attract IFDI mainly for the human capital development could be those developing countries that are rich economies but have less developed human capital such as Saudi Arabia. Although human capital development is usually not a direct objective of any FMNE subsidiary that brings IFDI in a host developing country, many FMNE subsidiaries develop skills and knowledge of their local managers and workers to meet their operational and productivity related requirements. There are positive spillovers of human skills and knowledge development due to the mobility of trained local managers and workers to local organisations in host developing countries (Meyer and Sinani, 2009).

Empirical evidence shows that FMNE subsidiaries contribute in human capital development in host developing countries through T&D programmes for their local employees (Lucas, 1988; Zhao and Zhang, 2010; Gachino, 2012). The beneficiaries of the FMNE subsidiaries' human resource development and training programmes are mostly the local managers (Blomstrom, Globerman, and Kokko, 1999; Blomstrom and Kokko, 2003; Schaaper et al., 2013). Some of these highly skilled and trained local managers move from FMNE subsidiaries to local organisations for various reasons such as increase in wages (Sauvant, Mallampally and Economou, 1993; Fosfuria, Mottac and Rondee, 2001; Strobl and Walsh, 2002; Martins, 2005; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Poole, 2013; Perri and Peruffo, 2016), progress in career

(Sauvant, Mallampally and Economou, 1993; Lan and Young, 1996; Pesola, 2007) or setting-up of their own enterprises (Glass and Saggi, 2000; Fosfuria, Mottac and Røndee, 2001; Miyamoto, 2003, 2008).

The mobility of local managers from FMNE subsidiaries to local organisation leads to human capital related spillovers (Blomstrom, 1991; Slaughter, 2002) such as diffusion of knowledge and skills, which contributes in the improvement of human capital in developing countries (Gerscwski, 2013; Ghauri and Firth, 2011; Gachino, 2012, 2014; Perri and Peruffo, 2016). Thus, IFDI in developing countries has a significant potential for growth of human capital (Gittens, 2006) and there are human capital related impacts on local organisations. For example, increase in the productivity (Meyer, 2004; Gorg and Strobl, 2005; Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Hakkala and Sembenelli, 2012; Gerschewski, 2013; Mariotti et al., 2015), improvement of management skills (Gerschewski, 2013; Perri and Peruffo, 2016; Spencer, 2008) and transfer of intrapreneurial skills to local organisations in developing countries (Gachino, 2012; Hakkala and Sembenelli, 2012; Gerschewski, 2013; Mariotti et al., 2015).

Human skills and knowledge spillovers through labour mobility contribute in the development of productivity and managerial capabilities of local organisations in host developing countries (Vera-Cruz and Dutrénit, 2005; Jude, 2016; Bruhn et al., 2015). Thus, developing countries that have better quality human capital not only benefit from the direct effects of productivity but also benefit from the indirect effects due to human skills and knowledge spillovers due to IFDI (Ali, Cantner, and Roy, 2016). Hence, IFDI has a positive contribution in human capital development in host developing countries (Kumari and Sharma, 2017).

1.3 FMNE subsidiaries and human capital development

The rapid economic growth in developing countries has provided a platform for increased IFDI activities by many MNEs (World Economic Forum, 2005). However, FMNE subsidiaries investing in developing countries have been cautioned not to rely on the perceived quality of the local labour and be prepared to use targeted human resource development and training programmes for improving the performance of their subsidiaries in developing countries because the quality of human capital is weak in most of the developing countries (Bhaumik and Dimova, 2013). Thus, the increased IFDI has exposed FMNE subsidiaries to a challenge of effectively contributing in human capital development in the developing countries (Dowling and Welch, 2004). The benefits of IFDI in developing countries can be realised through the training and development programmes of local labour especially local managers at FMNE subsidiaries (Blomstrom and Kokko, 1997). The training of local labour mainly local managers in FMNE subsidiaries improves the standards and quality of services and products, leads to innovation, increases productivity and profitability, and develops the human capital and enhances long-term employment (Mathews, 2002; Taylor and Davies, 2004). Thus, FMNE subsidiaries invest in training and development (T&D) programmes for their local employees (Blomstrom and Kokko, 2003; Schaaper et al., 2013). Thereby, FMNE subsidiaries assist developing countries in human capital development (Slaughter, 2002).

From the economic development perspective, the “skills and knowledge transfer through training” may be no less important than the sort of “technology transfer” that is embodied in a firm’s physical capital (Sonmez, 2013). Indeed, international agencies, particularly UNCTAD (2001), have called upon FMNE subsidiaries to widen their human resource development and training programmes to “promote linkages” with the local economy (Kapstein, 2002). In addition, there are suggestions that FMNE

subsidiaries' training expenditures per employee (such as local managers) should match with or exceed than those of the parent companies' training expenditures in the home country (UNCTAD, 1994). Thus, it is imperative that FMNE subsidiaries do not discriminate in training and development of local managers and workers in host developing countries.

FMNE subsidiaries play an important role in the training and development of local managers in host developing countries (Huang, 2001; Görg et al., 2007) and the training and development provided by the FMNE subsidiaries is more intense than training and development provided by local organisations while controlling for workplace and sector-specific factors (Sousa, 2001). Thus, FMNE subsidiaries positively affect the human capital development in developing countries via their human resource development and training programmes (te Velde, 2002). The training and development of local managers is imperative not only because it helps the host country but also the FMNE subsidiaries who rely more intensively on expatriates in the early stages but subsequently can replace the expatriates with local managers who have been properly trained by them (Enderwick, 1993). Furthermore, FMNE subsidiaries can improve the national supply of skilled labour in developing countries indirectly via the spillover effects of their training and development for local managers (Slaughter, 2002).

Hence, FMNE subsidiaries contribute to human capital development in developing countries by providing human resource development and training programmes for developing skills and knowledge of local managers (Miyamoto, 2003, 2008). IFDI through FMNE subsidiaries therefore can raise the human capital in host countries (Fosfuri, Motta and Ronde, 2001). A high level of human capital development has a significant impact on economic development (Nkechi and Okezie, 2013) and attracting

IFDI (Borensztein, Gregorio and Lee, 1998; Shen and Darby, 2006), especially in developing countries (Kottaridi and Stengos, 2010).

It is therefore concluded that IFDI by FMNE subsidiaries positively contributes in local human capital development in developing countries (Soltanpanah and Karimi, 2013; Kumari and Sharma, 2017).

1.4 Research Problem

The level of human capital development depends on the quality of education and training (Neycheva, 2013) which in many developing countries is low (Miyamoto, 2003, 2008; Mina, 2007b). In addition, there are knowledge and skills gaps despite substantial investment in the education, training and human capital development in some developing countries such as Saudi Arabia (Mahmood and Rehman, 2013).

IFDI and human capital development are the key drivers of growth and economic development in developing countries (Miyamoto, 2003, 2008; Gittens and Pilgrim, 2013). The relationship between IFDI and local human capital development has been reported mainly in the conceptual and theoretical literature (e.g. Blomstrom and Kokko, 2002; Kapstein, 2002; Slaughter, 2002; Miyamoto, 2003). However, there is a dearth of literature on various types of IFDI contributions in local human capital development in developing countries, which need further investigation (Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013).

The extant literature (Mahmood and Rehman, 2013; Elfakhani and Mackie, 2015; Hidayat and Khayat, 2016; Ullah and Ghazala, 2017) have studied that IFDI is attracted by the quality of human capital development because it improves the IFDI location advantage of the host country. The quality of human skills and knowledge are the key determinants of IFDI in developing countries (Goswami and Haider, 2014). In addition,

Kumari and Sharma (2017) and Soltanpanah and Karimi (2013) have reported that IFDI and human capital development have positive relationship because they reinforce each other through complementary effects. The results of this investigation show that IFDI contributes in local human capital development in host developing countries through FMNE subsidiaries' human resource development and training programmes for labour such as local managers (Bhaumik and Dimova, 2013; Kheng, Sun and Anwar, 2016).

The skills and knowledge of local managers in developing countries could be improved by IFDI through FMNE subsidiaries' human capital development and training programmes (Mahmood and Rehman, 2013; Kheng, Sun and Anwar, 2016). These aspects of T&D programmes are very important to assess how FMNE subsidiaries fill the gaps in the knowledge and skills of local managers in developing countries. However, some researchers such as Khayat (2016) and Hoxhaj, Marchal and Seric (2015) argue that FMNE subsidiaries fill the gap of human skills and knowledge deficit in developing countries by expatriation of highly skilled managers in host countries who transfer their knowledge and skills to local managers and workers working in the FMNE subsidiaries. While other researchers such as Zhao and Zhang (2010); Bhaumik and Dimova (2013); Kheng, Sun and Anwar (2016) suggest that FMNE subsidiaries provide T&D programmes that develop skills and knowledge of their local managers in host developing countries. Therefore, there is a need to further research about FMNE subsidiaries' training and development programmes for local managers in developing countries (Zheng, Hyland and Soosay, 2007).

Earlier studies suggest that FMNE subsidiaries' human capital development and training programmes for local managers produce human skills and knowledge transfer related spillovers (Bhaumik and Dimova, 2013). This occurs through labour mobility such as local managers to local organisations in host developing countries (Görg and Strobl,

2005; Miyamoto, 2008). Similarly, the issue of trained local managers' mobility from FMNE subsidiaries to local organisations has been a focus of earlier studies (e.g. Kim and Park, 2017; Orlic, Hashi, and Hisarciklilar, 2018). Several researchers such as Pesola (2007); Gachino (2012); Oladapo (2014) have discovered that local managers' mobility occurs because of career progression while other researchers such as Wang, Wong and Granato (2013); De Grip and Sauermann (2013) indicated that mobility occurs due to monetary benefits such as higher wages. However, the local managers could move from FMNE subsidiaries to local organisations for other important reasons such as personal, social and cultural reasons which need further investigation. Thus, there is a need of full understanding of the reasons of trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries (Fosfuri, Motta and Rønde, 2001; Blomstrom and Kokko, 2002, 2003; Fu, 2012).

In addition, there have been several studies such as Balsvik (2011); Ali, Foster-McGregor and Pöschl (2016); Kim and Park (2017) have reported that trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries results in human skills and knowledge related spillovers to local organisations. These human skills and knowledge spillovers occur because of local managers' mobility from FMNE subsidiaries to local organisations in the host developing countries (Vera-Cruz and Dutrénit, 2005; Jude, 2016; Bruhn et al., 2015). As a result, there is dissemination of human skills and knowledge acquired by local managers working for FMNE subsidiaries (Ghauri and Firth, 2011; Gachino, 2012) and these human skills and knowledge transfer could encompass different types of spillovers. However, a recent meta-analysis of literature on IFDI led knowledge spillovers by some researchers such as Hale and Xu (2016) indicated that there is a dearth of research on IFDI led skills and knowledge related spillovers on local organisations in host countries. It is therefore

important to do further research on human skills and knowledge transfer related IFDI spillovers to local organisations due to trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries.

Researchers as Agarwal, Audretsch, and Sarkar (2010) indicate to that human skills and knowledge spillovers to local organisations have positive impacts. These impacts involve development of intrapreneurship skills, increase in productivity (Hakkala and Sembenelli, 2012; Gerschewski, 2013; Mariotti et al., 2015) and improvement of management skills in local organisations in host countries (Gerschewski, 2013; Perri and Peruffo, 2016). However, there could be other human capital related impacts on local organisations such as adoption of work culture and business processes of FMNE subsidiaries which need in depth investigation (Liu, 2008; Erez and Nouri, 2010).

Hence, IFDI through FMNE subsidiaries will contribute directly in local human capital development through many ways for example it makes a significant contribution to local leadership through FMNE subsidiaries that can boost organisational performance and business growth in developing countries (Meyers and van Woerkom, 2014; Beamond, Farndale and Härtel, 2016). Furthermore, (Kattuah, 2013, p. 132) indicates to that IFDI contributes in local human capital development through internship and apprenticeship to new graduates and local youth in the host country. Therefore, more in depth research is needed on such aspects to develop human capital in developing countries to examine its impact on local human capital development in developing countries. Therefore, this research addresses a multi-fold research problem in the following ways:

Firstly, it unearths IFDI led FMNE subsidiaries' human capital development and training programmes for local managers. Secondly, it highlights the reasons of trained local managers' mobility from FMNE subsidiaries to local organisations. Thirdly, it identifies human skills and knowledge transfer related spillovers to local organisations due to local

managers' mobility and resultant human capital related impacts on local organisations. Finally, it brings to light IFDI contributions in local human capital development in host developing countries.

1.5 The rationale for the study

IFDI is a major source of human skills and knowledge transfer to developing countries (Miyamoto, 2008). However, the literature review on IFDI spillovers in developing countries (section 3.5 in chapter 3) identified very little about these issues such as little focus has been given to the human resource development and training programmes that FMNE subsidiary provides for local human capital development in developing countries. Similarly, the factors that lead local managers' mobility from FMNE subsidiaries to local organisations in developing countries have not been addressed. Also, prior studies have given meagre attention to spillovers of trained local managers' mobility impact on local organisations in host developing countries. These issues need to be empirically studied as discussed below.

IFDI can help in improving the skills and knowledge of local human capital in developing countries (Kheng and Anwar, 2016) where FMNE subsidiaries can fill the gap in the knowledge and skills of local managers and workers by investment in their training and development (Zhao and Zhang, 2010). The knowledge and skills acquired through FMNE subsidiaries training and development result in spillovers through human skills and knowledge transfer to local organisations due to local labour mobility in host developing countries (Miyamoto, 2003, 2008).

It is therefore imperative to investigate how IFDI contributes in human capital development in developing countries, such as Saudi Arabia, that have low levels of

human resource development (Mina, 2007a; Maroun et al., 2010) but offer a local environment with a lot of natural resources for exploitation (SAGIA, 2016b).

The researcher undertakes this empirical research in the context of a developing country such as Saudi Arabia. The researcher has chosen the context of Saudi Arabia for many important reasons. Saudi Arabia is a developing country that provides an attractive environment for IFDI for several reasons. For example, Saudi Arabia has a variety of natural resources in abundance, it is a robust economy with the largest market and population size in the Middle East, its geographical location is in the centre of the region and it has a large financial capital (Mina, 2007a, Al-Abbas, 2009; Al Sewilem, 2012; SAGIA, 2016b; Elfakhani and Mackie, 2015). Furthermore, Saudi Arabia have proactively developed policies and programmes for attracting IFDI and it has offered different types of incentives such as tax holidays to FMNE subsidiaries (SAGIA, 2016a, b) and it attracts about 26.8% of total IFDI in the Middle East (UNCTAD, 2017, p. 224).

Developed human resource is one of the key determinants of attracting IFDI in developing countries (Noorbakhsh, Paloni and Youssef, 2001; Goswami and Haider, 2014; Elfakhani and Mackie, 2015; Hoang, and Bui, 2015; Khayat, 2016; Narula and Pineli, 2016; Hidayat, Ullah, and Ghazala, 2017). In addition, developed human capital determines economic growth (Okojie, 1995; Neycheva, 2013) and enhances the performance and contributes in the success of business organisations (Becker, 1993; Hitt et al., 2001).

However, like many developing countries, Saudi Arabia faces challenges in providing highly skilled human capital that meets the needs of FMNE subsidiaries (Mina, 2007a). The skilled human resource depends on the quality of education and training (Mahmood, 2013), which is hitherto low in Saudi Arabia (Jehanzeb, Rasheed and Rasheed, 2013). Saudi Arabia faces human skills deficit despite increased capacity for education and

training within the national education system (Alsarhani 2005, 59). There is also a lack of specialisation of workforce skills (Maroun et al., 2010) and low take up of vocational training by local workforce because vocational training is considered of low status in Saudi Arabia (Baqadir, Patrick, and Burns, 2011).

This gap in the local human skills and knowledge could be filled by IFDI through FMNE subsidiaries (Kheng, Sun and Anwar, 2016), which provide T&D programmes for local labour including local managers (Zhao and Zhang, 2010). Therefore, Saudi Arabia provides an ideal context to undertake an empirical study of the above-mentioned issues, which have not been addressed yet in the literature.

1.5.1 The impact of good and bad IFDI

For attracting IFDI, many developing countries, such as Saudi Arabia, have proactively developed policies and programmes and offered different types of incentives such as tax holidays to FMNE subsidiaries. However, IFDI could be either good or bad from the perspective of a host developing country. IFDI can be called as the good IFDI when it helps in local economic growth, becomes a source of supply of financial capital, technical knowhow and expertise (Shahmoradi and Baghbanyan, 2011), contributes in “technology transfer” (Sonmez, 2013), promotes linkages between FMNE subsidiaries and local organisations and markets and connects with the global economy (Kapstein, 2002). In addition, the good IFDI helps in aggregate gains such as increased productivity and economic growth through introduction of new processes and know-how, managerial skills, staff training and access to international markets (Sala-I-Martin, 1997; Bruno and Campos, 2013; Jude and Levieuge, 2015). More importantly, good IFDI also contributes in developing knowledge and skills of local labour especially local managers through human resource development and training programmes by FMNE subsidiaries in host developing countries (Blomstrom and Kokko, 1997; Huang, 2001; Sousa, 2001; Dowling

and Welch, 2004; Görg et al., 2007; Bhaumik and Dimova, 2013). Thus, the good IFDI increases the availability and supply of good quality, highly skilled and appropriately trained workforce in developing countries (te Velde, 2002), which is essential for attracting IFDI (Noorbakhsh, Paloni and Youssef, 2001; Goswami and Haider, 2014; Elfakhani and Mackie, 2015; Hoang, and Bui, 2015; Khayat, 2016; Narula and Pineli, 2016; Hidayat, Ullah, and Ghazala, 2017).

Therefore, IFDI seeking developing countries that are rich and have a large natural resource base, for example Saudi Arabia, should be targeting good IFDI by FMNE subsidiaries that can also contribute in developing local human capital because the developed human capital can benefit both the host country and the FMNE subsidiaries (Burt, 1997; Benito, 2015).

Conversely, IFDI can be considered as the bad IFDI when FMNE subsidiaries only exploit the natural resources and fail to meet the social corporate responsibilities (Frynas, 2005), rely on expensive expatriate workforce rather than investing in the development of local human capital (Enderwick, 1993), and focus on increased performance and profits without benefiting the host developing countries (Dowling and Welch, 2004; Bhaumik and Dimova, (2013). Thus, the bad IFDI is mainly resource seeking and market seeking (Narula, 2014).

These findings suggest that developing countries need to make a distinction between FMNE subsidiaries that would bring the good IFDI and those FMNE subsidiaries that would bring the bad IFDI.

1.5.2 Saudi Arabia - Services sector IFDI

The present empirical study has been undertaken in Saudi Arabia involving FMNE Subsidiaries and local organisations in the services sector. The selection of the services sector is important for a number of reasons. Firstly, services sector organisations provide

more training to their workers and managers for filling skills and knowledge gap (Mackelprang, Jayaram and Xu, 2012) because the job specific training improves workers' and managers' capabilities (Arthur et al., 2003), productivity (Harrold, 2000) and performance (Johnson, 1996; Babakus et al., 2003; Rahman and Bullock, 2005; Mackelprang, Jayaram and Xu, 2012). Secondly, training and development in the services sector organisations results in positive skills and knowledge spillovers in the same sector (Poole, 2013). Thirdly, the services sector attracts about 68% of total IFDI stock globally (UNCTAD, 2017, p. 21) and 43.7% of total IFDI and 43.6% of greenfield IFDI in Saudi Arabia (Arab Investment & Export Credit Guarantee Corporation, 2017). Moreover, a recent systematic review has suggested that there is a gap of empirical research on IFDI spillovers in the services sector organisations and suggested for a qualitative study to filling this gap (Gerschewski, 2013).

The present empirical study has therefore been undertaken in Saudi Arabia involving FMNE Subsidiaries and local organisations in the services sector.

1.6 Contributions of the study

The contributions of the present study are as follows.

- 1) To provide empirical evidence on the links between IFDI and human capital development in developing countries
- 2) To identify the reasons, types, locations, duration and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in the context of developing countries.
- 3) To find out the actual reasons of trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries.

- 4) To identify spillovers related to human skills and knowledge transfer to local organisations due to trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries.
- 5) To empirically identify human capital related impacts on local organisations because of trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries.
- 6) To provide empirical evidence on IFDI contributions in local human capital development in host developing countries.
- 7) To suggest recommendations for government policy formation regarding IFDI and human capital development in developing countries.

1.7 Aim and Objectives of the Study

1.7.1 Aim of study

The aim of this research is to study the impact of IFDI on human capital development in developing countries.

1.7.2 Objectives of study

The objectives of the present study were:

Objective 1: To identify the reasons, types, location, duration and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries (Proposition 1).

Objective 2: To investigate reasons of trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries (Proposition 2).

Objective 3: To study human skills and knowledge transfer related IFDI spillovers to local organisation due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries (Propositions 3).

Objective 3: To study human capital related impacts on local organisations due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries (Propositions 4).

Objective 5: To explore IFDI contributions in local human capital development in developing countries (Proposition 5).

1.8 Research Questions

This research study attempts to provide answer to following research questions.

Question 1: What are reasons, types, duration, location and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries?

Question 2: Why do trained local managers move from FMNE subsidiaries to local organisations in developing countries?

Question 3: What are human skills and knowledge transfer related IFDI spillovers to local organisation due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries?

Question 4: What are human capital related impacts on local organisations due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries?

Question 5: What are IFDI contributions in local human capital development in developing countries?

1.9 Research methodology

This qualitative study has been undertaken by adopting the inductive approach, using the multiple case study strategy and adopting the cross-sectional design. The researcher

chose to undertake a qualitative study because most of the prior empirical research on IFDI related human skills and knowledge spillovers has been mainly quantitative (Görg and Strobl, 2005; Martins, 2005; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Bekes, Kleinert and Toubal, 2009; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Hakkala and Sembenelli, 2012). There are a very few qualitative empirical studies on the IFDI led human skills and knowledge spillovers and labour mobility in developing countries (Gachino, 2012). Thus, undertaking of qualitative research in this domain is imperative (Ghauri and Firth, 2011).

In this study, qualitative data was collected through semi-structured interviews with a purposive sample of participants (N=24) from six organisations in the services sector including FMNE subsidiaries (N=3) and local organisations (N=3) in Saudi Arabia.

Collected qualitative data were analysed using the thematic analysis framework (Braun and Clarke, 2006). Prior to data collection, ethical approval was obtained from the Research Ethics Committee at Brunel Business School (Appendix 4) and permission was obtained from the management of each of six participating organisations in Saudi Arabia. The detailed methodology for undertaking the present study is described in chapter 5.

1.10 Structure of the Thesis

This thesis is organised into eight chapters as follows.

Chapter 1 introduces this thesis. This chapter provides a background to the research topic, explains IFDI and spillovers, reports IFDI and human capital development and describes IFDI in developing countries and explains FMNE subsidiaries and human capital development in host developing countries. In addition, this chapter presents the research problem and gaps identified in the literature. This chapter also presents the rationale, contributions, the aim and objectives and research questions of the present

study. Lastly, this chapter outlines the research methodology used in the present study and presents the structure of the present thesis.

Chapter 2 provides the context of the study i.e. Kingdom of Saudi Arabia the country where this study is undertaken. This chapter first reports the local environment including human resources and natural resources in Saudi Arabia. Thereafter, this chapter reports IFDI trends in the country, IFDI by sectors and industry, and types of IFDI in the country. This is followed by a review of empirical research on FMNE subsidiaries in Saudi Arabia, which is followed by a summary of the chapter.

Chapter 3 covers literature review. This chapter reports a review of the theoretical and empirical literature on IFDI spillovers in developing countries. This chapter first provides background literature that defines the key terms relevant to IFDI, describes IFDI theories and models, reviews FMNE subsidiaries' motives, IFDI modes of entry, the host country environment influencing IFDI and IFDI linkages with local human capital development in developing countries. Then, this chapter provides a review of human capital development and the New Growth theory. Thereafter, this chapter reviews impacts of IFDI on local human capital development in developing countries. This is followed by a review of literature on FMNE subsidiaries' human resource development and training in developing countries. Then, this chapter presents review of literature on IFDI spillovers in developing countries. This is followed by a review of literature on research methods used in empirical studies on IFDI spillovers. Thereafter, this chapter provides researcher's evaluation and critique of the reviewed literature. Lastly, this chapter identifies gaps in the reviewed literature, which is followed by a summary of the chapter.

Chapter 4 concerns about the development of a conceptual framework (Figure 4-3) for undertaking the present study. This chapter first evaluates the existing leading

frameworks on IFDI spillovers and then presents a conceptual framework which is developed based on the literature review undertaken by the researcher. Thereafter, a conclusion of the chapter is presented.

Chapter 5 describes the methodology for undertaking of the present study. This chapter first describes research philosophies, research approaches, research strategies, methodological choices, data collection techniques and sampling techniques. This section also provides justifications for selected research philosophy, research approach, research strategy, methodological choice, data collection technique and sampling technique for this study. Thereafter, this chapter describes research participants, the process of data collection and analysis, validity and reliability issues and ethical approval for the present study, which is followed by a summary of the chapter.

Chapter 6 reports the findings of the present study. This chapter first presents the findings regarding the demographic characteristics of the participants. This is followed by the presentation of the findings about five propositions i.e. Proposition P1 (FMNE subsidiaries' human resource development and training programmes for developing knowledge and skills of local managers in the host country), Proposition P2 (FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons), Proposition P3 (Spillovers: human skills and knowledge transfer to local organisations) Proposition P4 (Human capital related impacts on local organisations) and Proposition P5 (IFDI contributions in local human resource development in developing countries). This chapter closes with a summary of the findings presented in the chapter.

Chapter 7 provides discussion on the findings of the present study. This chapter includes discussion of the findings in the light of earlier studies. This chapter comprises different sections according to the propositions: Proposition P1 (FMNE subsidiaries' human

resource development and training programmes for developing knowledge and skills of local managers in the host country), Proposition P2 (FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons), Proposition P3 (Spillovers: human skills and knowledge transfer to local organisations) Proposition P4 (Human capital related impacts on local organisations) and Proposition P5 (IFDI contributions in local human resource development in developing countries). In addition, this chapter provides discussion on the conceptual framework which is updated based on the empirical findings of the present study. Thereafter a summary closes this chapter.

Chapter 8 comprises conclusions of this thesis. This chapter presents conclusions, contributions, and strengths and limitations of the present study. In addition, this chapter reports difficulties faced by the researcher during the data collection process. Thereafter, this chapter provides a set of recommendations for the future research. Finally, a summary of the chapter is presented.

2 CHAPTER 2: Context of the country of Study -Kingdom of Saudi Arabia

This chapter explains the context of the country of study. This study is undertaken in the Kingdom of Saudi Arabia (KSA). This chapter is divided into following sections. The first section explains the local environment in the KSA. This section describes the human resources including education, training and skills development, the natural resources, social and cultural environment, institutions and organisations, population and economy, legal, economic and financial regime, trade and commerce, custom duties and taxes and infrastructure in the KSA. The second section reports the IFDI stocks in the country. The third section presents IFDI by sectors and industry in the country. The fourth section reports IFDI types in the KSA and IFDI source countries. The fifth section reviews earlier empirical research on FMNE Subsidiaries in Saudi Arabia. The sixth section provides a summary of this chapter.

2.1 The KSA Environment

IFDI is influenced by local environment in the host country. The local environment comprises many factors such as the human resources and human capital development, natural resources, population and market size, geographical location, trade and commerce, local institutions, political, financial, economic and legal systems in the host country (Dunning, 1977, 1988; Lee and Mansfield, 1996; Burt, 1997; Drabek and Payne 1999; Saggi, 2000; Smith, 2001; Javorcik, 2004; Ghauri and Firth, 2011; Al Sewilem, 2012).

This section therefore describes local environment in the KSA where the present study has been undertaken. Saudi Arabia provides an IFDI friendly environment due to its unique geographical location, abundance of natural resources, availability of human

resources and IFDI promoting institutional, financial, legal, trade and commerce related measures and reforms. These factors are described below.

2.1.1 Human resources

From the IFDI perspective, the availability of skilled human resource is an important factor that improves the location advantage of a host country and helps in attracting IFDI in the host country (Noorbakhsh, Paloni and Youssef, 2001; Hoang, and Bui, 2015; Hidayat, Ullah, and Ghazala, 2017). For developing skills of native labour force, Saudi Arabia has taken several steps. For example, a large investment in the education and research sectors, establishment of 25 public universities, providing vocational training through the technical and vocational training corporation, establishment of human resource development fund for human resource development, and creation of the national science, technology and innovation plan (NSTIP) for supporting research and innovation in the country (SAGIA, 2016b).

Education

Saudi Arabia has heavily invested in the education sector especially for the higher education by establishing universities and colleges, in both the public and private sectors, as well as providing overseas scholarships to native Saudis for higher education in developed countries. There are 31 universities and 487 colleges in the country, which include eight universities and 40 colleges for women (Kattuah, 2013). Although there has been a substantial growth in education and research with opening of many opportunities for higher education in the country and overseas (Al-Ahmadi 2011; Jamjoom and Kelly 2013; AlSelaimi, 2014), Saudi Arabian's education sector is suffering from poor coordination between various institutions and the interaction between universities and the industrial sector (AlSelaimi, 2014). Therefore, high level

knowledge and skills are still lacking among native Saudis (Jehanzeb, Rasheed and Rasheed, 2013).

Moreover, to prepare a highly skilled labour force, Saudi Arabia has launched an ambitious overseas scholarship programme since 2005 for higher education of Saudi men and women, mostly in developed countries and there are more than 200,000 Saudi students getting higher education overseas, with a male and female ratio of 3:1 (Ahmed, 2015). The overseas higher education programme is expected to prepare native Saudis for highly skilled jobs and easing heavy reliance on foreign skilled labour in the country.

Training

Training is defined as a “planned intervention that is designed to increase the determinants of individual job satisfaction” (Chiaburu and Tekleab, 2005, p. 29). Therefore, training relates to skills that an employee should acquire to meet the requirements of the job and organisational objectives (Jehanzeb, Rasheed and Rasheed, 2013).

Training is an important issue in many developing countries such as Saudi Arabia (Jehanzeb, Rasheed and Rasheed, 2013). In Saudi Arabia, human resource development is integrated in the national development plans that emphasise upon human resource development through education as well as through technical and vocational training (Al-Southern 1996). The Technical and Vocational Training Corporation in Saudi Arabia manages more than 64 vocational industrial institutes and 45 technical colleges where vocational and technical training is provided to locals for preparing them for the local labour market (Alzamil, 2014). However, there are challenges in improving the quality and quantity of vocational and technical training in Saudi Arabia (Maroun et al., 2010) because vocational and technical training is considered of a low status in the country;

hence, the enrolment in the vocational and technical training is lower compared to the general education in Saudi Arabia (Baqadir, Patrick, and Burns, 2011).

In Saudi Arabia, training and development of local labour is encouraged in the public-sector organisations and joint ventures such as Saudi Aramco, Samref and Yanpet that have specialised programmes for providing industrial training to their employees (Jehanzeb, Rasheed and Rasheed, 2013). In addition, the private sector such as the local chambers of commerce and industry provide industry specific training to local workforce in the country (Mellahi and Wood, 2006; Jehanzeb, Hamid and Rasheed, 2015). However, the training provided by the private sector organisations in Saudi Arabia is faced with many issues such as lack of training funds, lack of professional structures for human resource development, bureaucratic barriers, and low training for mid-level managers (Achoui, 2009).

Although there has been a significant improvement in the vocational and technical training in Saudi Arabia (Al-Asmari, 2008), the native Saudi labour force has been criticised due to their low skills, knowledge and performance (Al-Ahmadi, 2011), which could be a reason for higher employee turnover especially in the private sector (Achoui and Mansour, 2007). Earlier research has suggested that the issue of high employee turnover could be addressed through employee training (Jehanzeb, Rasheed and Rasheed, 2013). Nevertheless, training in Arabian countries like Saudi Arabia has been criticised due to managerial interference, nepotism and favouritism in training and trainees not taking training seriously (Abdalla and Al-homoud, 1995; Bahar et al., 1996). Therefore, the training does not produce the development of desired skills among trainees (Jehanzeb, Rasheed and Rasheed, 2013). Thus, tackling the issue of lack of skills in Saudi Arabia needs effective and culturally designed raining programmes for employee training (Jehanzeb, Hamid and Rasheed, 2015).

Skills

A review of literature on skills development of local labour in the Middle Eastern countries such as Saudi Arabia reveals that there is a shortage of highly skilled labour in these countries (Achoui, 2009). Most of the local labour in Saudi Arabia work in the public sector (Achoui, 2009) because they do not meet the skills and knowledge requirements of private sector organisations (Jehanzeb, Rasheed and Rasheed, 2013), which employ highly skilled expatriate workforce (Achoui, 2009) that provides many advantages over the local labour (Ramadi, 2005). However, to address the issues of skills shortage in local workforce and improve local human capital development, Saudi Arabia has developed a strategic vision 2030 that aims at improving human resources and development of local economy by 2020 through improvement in technical, managerial and innovative competencies of local labour force (Saudi Vision 2030, 2018).

However, the human development index of Saudi Arabia shows that male and female Saudi nationals differ in terms of education, training, skills and employment levels (United Nations Development Programme, 2016). For example, the employment rate of women is lower than the employment rate of men in Saudi Arabia (UNCTADSTAT, 2016) and female participation in the labour force (10.7%) is significantly lower than male participation (83.3%) in the national labour force (Saudi Bureau of Statistics, 2016). In addition, women employment at senior positions is also very low and women managers face challenges in career development in Saudi Arabia (Omair, 2008, 2010 and 2011). The other country-specific reasons for low females at the managerial position in the KSA include social, cultural and religious reasons (Al-Asfour et al., 2017). In addition, Saudi women at managerial and leadership positions face several leaderships challenges, structural challenges, lack of resources, lack of empowerment, cultural challenges and personal challenges (Al-Ahmadi, 2011). Consequently, the rate of female

participation in employment in Saudi Arabia is low (United Nations Development Programme, 2016).

For tackling the problem of the high unemployment rate among the natives Saudis and for increasing the employment of the native labour force, the Saudi government has started a two-pronged strategy, which includes investment in the education sector and initiation of the Saudisation programme that is aimed at replacing overseas labour with the native labour, which is explained below.

Saudisation

Saudisation programme is a public policy that requires all local and foreign private businesses to employ native Saudis to replace foreign workers (Ahmed, 2016). The Saudisation programme has implications for FMNE subsidiaries operating in Saudi Arabia because they must recruit a proportion of their employees from native Saudi labour force including both managers and workers. However, the knowledge and skills of local Saudi workers might not be up to standards and requirement of the FMNE subsidiaries, which means that FMNE subsidiaries must develop the skills and knowledge of local employees including managers and workers through training and development programmes. For supporting training and recruitment of native Saudi labour, foreign investors have been offered access to the research and development endowment at King Abdullah University of Science and Technology, and King Abdulaziz City for Science and Technology, as well as access to human resource development fund (HRDF) in Saudi Arabia (SAGIA, 2016b).

However, Saudi Arabia still faces a shortage of highly skilled labour force despite a significant investment in the human resource development (SAGIA, 2016b) and being a robust economy (Mina, 2007a). Therefore, Saudi Arabia relies on neighbouring Middle Eastern and Asian labour markets for an elastic supply of labour and human capital

(Mina, 2007a), which may put the country in a disadvantageous locational position from the IFDI perspective (Noorbakhsh, Paloni and Youssef, 2001).

2.1.2 *Natural resources*

The availability of natural resources in the host country attracts IFDI (Organisation for Economic Co-operation and Development, 2002). Saudi Arabia has a variety of natural resources in abundance. The country has the largest oil reserves in the world and a wealth of metal deposits (SAGIA, 2016b). Saudi Arabia is one of the largest oil producing and exporting countries (SAGIA, 2016b) and the oil sector is the main factor that positively influences IFDI in the country (Kahai, 2004; Mina, 2007a, b). However, in the recent years IFDI has increased in the services sector in Saudi Arabia (Arab Investment & Export Credit Guarantee Corporation, 2017).

2.1.3 *Social and cultural environment*

The social and cultural environment on Saudi Arabia is highly influenced by the Islam religion (Mellahi, 2007), which is considered a complete way of life in the country (Egel and Fry, 2017). Thus, the religion affects every walk of the life including social and cultural environment through to business processes and management (Spierings, Smits, and Verloo, 2010; Al- Krenawi, 2014), employment (AlSelaimi, 2014) and human resource development and human resource management practices in the country (Dirani, 2006; Budhwar and Mellahi, 2016).

The social and cultural environment in Saudi Arabia sets gender roles for example in employment and thus female participation in the workforce and at professional and leadership positions are low in the country (AlSelaimi, 2014). Additionally, the workplace and organisational culture in the country is dominated by the high-power distance and masculinity due to the social and cultural milieu of the Saudi Society that is dominated by men (Al- Krenawi 2014; Class and Elamin, 2016).

In the labour market is segmented based on the gender and women are restricted to work (or not to work) in some sectors and at some positions due to family reasons (Bozionelos, 2009). In addition, requiring permission from a male family member (Sidani and Al Ariss, 2014) and social and cultural reasons such as perception of men being more capable for leadership roles compared to female (Elamin and Omair, 2010). These factors have implications for Saudi women to hold leadership and managerial positions in both the local and foreign organisations (Alhejji et al., 2018).

Moreover, the social and cultural environment in Saudi Arabia affects peoples' dealing with each other and establishment of social networks, also known as the *Wasta* (social connection), that is based on social, cultural and tribal affiliations (Tlaiss and Kauser, 2011; Harbi, Thursfield, and Bright, 2016). In Saudi society, the *Wasta* is widely used not only in the social and cultural sphere but also for getting employment, training and promotion, which promotes nepotism and disregards meritocracy (Harbi, Thursfield and Bright, 2016; Budhwar and Mellahi, 2016). Resultantly, the *Wasta* affects not only the local organisations but also the foreign businesses (Loewe, Blume and Speer, 2008). Thus, the practice and use of the *Wasta* creates unfairness and leads to inefficiency in the country (Sidani and Thornberry, 2013).

2.1.4 Institutions and organisations

For dealing with all matters related to investment including IFDI in the country, Saudi Government has established Saudi Arabian General Investment Authority (SAGIA) under the Foreign Investment Law 2000 (SAGIA, 2016a). Other institutional measures regarding IFDI include processing of FDI applications within 30 days of submission of an application for IFDI in the country (SAGIA, 2016a).

2.1.5 Population and economy

Saudi Arabia is located in the centre of the Middle East with access to several countries of the Middle East, Africa and Asia through the land and sea (Almahmood, 2011). According to the latest statistics released by the United Nations Conference on Trade and Development (UNCTAD), Saudi Arabia's total population was 30.88 Million, GDP (gross domestic product) was 752,460 million (US\$), GDP per capita was 24,362 (US\$), GDP growth (real) was 3.59% and CPI (consumer price index) growth was 2.68% in 2014 (UNCTADSTAT, 2016). Saudi Arabia is one of the twenty largest world economies and 49th out of 189 countries for ease of doing business (SAGIA, 2016b). More importantly, Saudi Arabia is the largest economy among six countries involved in the Gulf Cooperation Council (Mina, 2007b).

2.1.6 Legal, Economic and Financial Regime

To facilitate IFDI in the country, Saudi Arabia has taken several legal measures including different economic and financial incentives (Table 2-1). The most notable legal measures taken by the KSA for IFDI include enactment of the Foreign Investment Law of 2000 (SAGIA, 2016a), which repealed the former Foreign Capital Investment Law of 1979 that was considered somewhat restrictive to promote IFDI in the country (Al Sewilem, 2012). The Foreign Investment Law 2000 has led to the establishment of several institutions such as the established of the Saudi Arabian General Investment Authority (SAGIA) (Table 2-1).

In addition, Saudi Arabia has offered several economic and financial incentives to FMNE subsidiaries for investing in the country (Table 2-1). For example, FMNE subsidiaries' access to Saudi investment development fund, Arab monetary fund, Arab trading financing program, inter Arab investment guarantee corporation and Islamic

development bank, as well as transferring capital and profit abroad, no personal tax and 20% tax on total company profits (SAGIA, 2016b).

Table 2-1 IFDI promoting measures in the KSA

Category	Factor
Legal reforms	Foreign Capital Investment Law of 1979
	Foreign Investment Law of 2000
	Establishment of a New Regulation Regarding Violations of the Foreign Investment Law of 2000
Organisational establishment	Saudi Arabian General Investment Authority established in 2000 as a central agency for inward FDI in the country
Investment Incentives and Guarantees	Investment Guarantees under Islamic Law
	Investment Incentives and Guarantees Provided under the Foreign Investment Law of 2000
	Real Estate Ownership by Foreign Investors
Taxation of Foreign Investment	Transferring capital and profit abroad,
	20% tax on total company profits
Restrictive Immigration and Employment Policies	Abolishing the Sponsorship Rule.
	Labour Law: Restrictions on Employee Dismissal
Dispute Settlement	Dispute Settlement Mechanisms for Foreign Investment
Corporate governance	Establishment of Capital Market Authority and corporate governance regulations

Source: Developed by the researcher (based on Al-Abbas, 2009; Al Sewilem, 2012; SAGIA, 2016a)

2.1.7 Trade and Commerce

Saudi Arabia is a member of the World Trade Organisation (WTO) since 2005, member of the Gulf Cooperation Council (GCC) customs union since 2003; member of greater Arab free trade area (GAFTA) since 1997 and the country has bilateral investment treaties with several countries (SAGIA, 2016b). Thus, the KSA provides a trade and commerce environment that is conducive for IFDI.

2.1.8 Customs duties and taxes

In Saudi Arabia, customs duties and taxes levied on IFDI are as follows.

Customs duties: 5% duties on imports, 12%-15% tariff rates on some products, exemption of customs duty on authorised imports in some sectors; duty drawback on the export of raw material imports (SAGIA, 2016b).

Taxes: 20% tax on corporate profits, no tax on personal income, tax credits on R&D investment and full repatriation of capital, profit and dividends on payment of only 5% withholding tax and tax incentives for specified regions (SAGIA, 2016b).

2.1.9 Infrastructure

In Saudi Arabia, the notable infrastructure related developments include highly developed telecommunication systems, availability of wide networks of road, air and sea and development of water, electric and gas facilities (SAGIA, 2016a). In addition, the country offers low rates of water, power and lands to foreign investors (SAGIA, 2016b).

The main factors that positively influence IFDI in Saudi Arabia include IFDI friendly public policy, infrastructure development, large market size, higher purchasing power and better institutional quality and trade openness, (Kahai, 2004; Mina, 2007a). Thus, it can be argued that the local environment in the KSA described above provides a favourable environment for IFDI in the country.

2.2 IFDI in the KSA

According to the latest IFDI statistics (World Bank, 2017), there has been a considerable IFDI in the Middle Eastern countries (Table 2-2), which shows that Saudi Arabia was the largest recipient of IFDI in the region from 2008 to 2011 but its share in IFDI decreased since 2012 when a higher percentage of IFDI went to Turkey (Table 2-2).

Table 2-2 IFDI in the Middle East (2008-2016) (US\$ at current prices in Millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bahrain	2638	257	156	98	1545	3729	1519	-797	282
Iran	1980	2983	3649	4277	4662	3050	2105	2050	3372
Iraq	1856	1598	1396	1882	3400	-3263	-10340	-7752	-5911
Jordan	2826	2413	1689	1486	1548	1947	2178	1600	1539
Kuwait	-6	1114	1305	3259	2873	1434	953	293	275
Lebanon	4002	4379	3708	3137	3111	2661	2907	2353	2564
Oman	2952	1485	1243	1628	1365	1612	1506	-2692	142
Pakistan	5438	2338	2022	1162	859	1333	1867	1289	2006
Qatar	3779	8125	4670	939	396	-840	1040	1071	774
Saudi Arabia	39456	36458	29233	16308	12182	8865	8012	8141	7453
State of Palestine	52	300	206	349	58	176	160	103	269
Syrian Arab Republic	1466	2570	1469	804	No data	No data	No data	No data	No data
Turkey	19851	8585	9086	16142	13631	12771	12458	17259	11987
Turkmenistan	1277	4553	3632	3391	3130	3528	3830	4398	4522
United Arab Emirates	5063	1134	8797	7152	8828	9491	10823	8795	8986
Yemen	1555	129	189	-518	-531	-134	-233	-15	-561
Total IFDI in the Middle East	94184	78421	72450	61496	57058	46358	38787	36095	37698
Saudi Arabia (share in %)	41.9	46.5	40.3	26.5	21.4	19.1	20.7	22.6	19.8

Source: Researcher based on data from the UNCTAD, 2017; World Bank, 2017.

2.3 IFDI by sector and industry in the KSA

Data on IFDI by sector in the Middle East and Saudi Arabia (Table 2-3) shows that the largest volume of IFDI went to the services sector at the Middle East level. However, in the case of Saudi Arabia, the manufacturing sector attracted the largest volume (47.7%) of total IFDI while the services sector attracted the second largest volume (43.7%) of total IFDI in the country (Table 2-3).

Table 2-3 IFDI by sector in the Middle East and Saudi Arabia

	<i>Middle East*</i> †			<i>Saudi Arabia**</i>	
	2012	2013	2014	2012-2016	
Total	44978	31082	37316	40496	
Sectors	Primary	2 (0.004%)	5989 (10.69%)	2620 (7.02%)	3474 (8.58%)
	Manufacturing	20247 (45.02)	18976 (33.86%)	14739 (39.50%)	19321 (47.71%)
	Services	24729 (54.98)	31082 (55.46%)	19957 (53.48%)	17701 (43.71%)

*UNCTAD (2013; 2015), †Data not available for 2015 and 2016, **Arab Investment & Export Credit Guarantee Corporation (2017)

Analysis of IFDI by industry in Saudi Arabia showed that chemical industry in the manufacturing sector attracted the largest IFDI (33.3%), which was followed by the real estate industry (29.4%) and hotels and tourism industry (10.7%) in the services sector attracted the next highest IFDI in the country (Table 2-4).

Table 2-4 IFDI by sectors and industry in Saudi Arabia (2012-2016)

SECTOR	INDUSTRY	IFDI	
		(US\$ million)	%
Primary	Oil, coal and natural resources	3474	8.6
Manufacturing	Chemicals	13504	33.3
	Automobile	3150	7.8
	Industrial machinery	1102	2.7
	Metals	990	2.4
	Plastics and Rubber	575	1.4
Services	Real estate	11916	29.4
	Hotels and Tourism	4346	10.7
	Financial services	734	1.8
	Communications	705	1.7
Total		40496	100

Source: By Researcher (data taken from Arab Investment & Export Credit Guarantee Corporation (2017))

The recent global IFDI statistics show that the services sector attracted about 68% while the manufacturing sector attracted 26% followed by the primary sector that attracted 6% of the total IFDI stock (UNCTAD, 2017, p. 21). Thus, the services sector attracted a higher percentage of IFDI in the developing countries including the Middle Eastern countries (Tables 2-3, 2-4). For attracting IFDI, Saudi Arabia like other countries in the Middle East has taken several measures that include creation of specialised organisations for promoting IFDI, setting up of specialised zones for IFDI, and offering tax exemption and other incentives to FMNE subsidiaries (Hassan, 2017). Saudi Arabia has also opened several industries and areas such as transport, healthcare, building materials and tourism for IFDI (Table 2-5).

Table 2-5 Sectors and areas open for IFDI in KSA

Sector / Industry	Areas
Transport	Rail System, Building Technology, Construction Materials, Advanced Materials, Civil Engineering, Construction Support Services, Rolling Stock and Operations
Healthcare	Medical Devices, Service Provision, Support Services, Education, Prevention and Pharmaceuticals
Building materials	Construction Chemicals, Building Products, Building Equipment & Systems
Tourism	Accommodation, Food & Beverage, Visitor Facilities, Regional Capabilities, Quality Assurance and Heritage Villages
Oil and Gas	Manufacturing Opportunities and Services Opportunities
Downstream Chemicals	Plastics & Packaging
Distribution services	Distribution services subject to the following restrictions: (i) The permitted foreign equity is initially limited to 51%, and to 75% after 3 years from the date of accession [i.e. 11th December 2008] (ii) The minimum foreign investment in Saudi Riyals 20 million (US\$5.33 million) by each service supplier (iii) The minimum size of outlets may be prescribed (iv) A minimum of 15% Saudi employees must be trained each year

Source: Researcher (based on information taken from SAGIA, 2016a).

IFDI opportunities in Saudi Arabia are currently being developed in 11 other sectors i.e. agriculture, mining, CIT, housing, automobile / automotive manufacturing, industrial equipment, power, water and electricity, military spare parts and engineering services, education and renewable energy sectors (SAGIA, 2016a).

Moreover, Saudi Arabia has opened several services sector industries such as financial and banking services, telecommunication services, Information technology and computer services, wholesale, retail, and franchise distribution services, health services, education services and hotel and tourism services (U.S. Department of State, 2015; Jadea, and Basir, 2017). Therefore, the services sector in Saudi Arabia provides an interesting context for studying IFDI spillovers in the country. However, some industries in the services sector in Saudi Arabia are not yet opened for IFDI (Appendix 5).

2.4 IFDI types in Saudi Arabia and IFDI Source countries

IFDI in Saudi Arabia has taken different modes of entry which mainly include the Greenfield IFDI. Saudi Arabia attracted 118,532 US\$ worth of IFDI through Greenfield projects between 2003 and 2015 (Table 2-6). The top three countries that brought the highest IFDI Greenfield in Saudi Arabia included the United States (23.5%), France (17%) and Japan (13%) (Table 2-6). The analysis of the greenfield projects by industry showed that the services sector attracted about 43.6% of total greenfield IFDI with the highest investment in the real estate and construction industry (29.4%) followed by the hotels and tourism industry (10.7%) in the country (Arab Investment & Export Credit Guarantee Corporation, 2017).

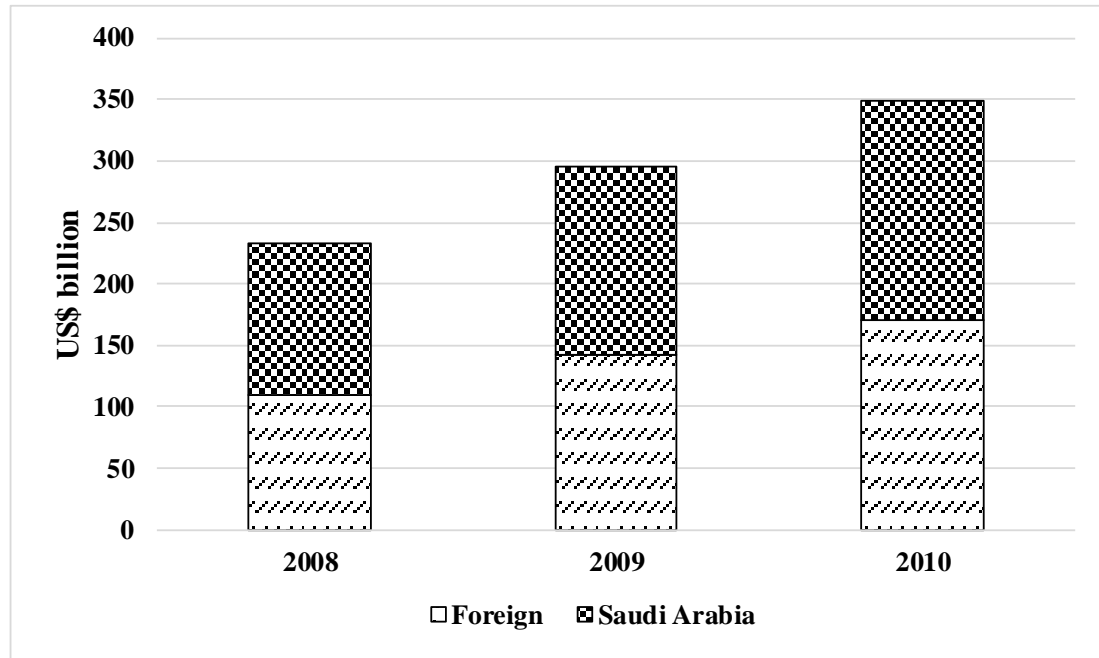
Table 2-6 Saudi Arabia: IFDI Greenfield Projects (2003-2015)

Source country	IFDI			No of Jobs
	Cost (US\$ million)	%	No of Companies	
United States	38488	32.47	179	30353
France	20201	17.04	44	11365
Japan	15915	13.43	37	7519
UAE	13489	11.38	135	32140
China	10450	8.82	12	4837
India	6270	5.29	52	7433
Singapore	4239	3.58	10	6744
Germany	4029	3.40	36	6233
United Kingdom	3002	2.53	70	3601
Canada	2449	2.07	19	2724
Total	118532	100	594	112949

Source: Arab Investment & Export Credit Guarantee Corporation (2017).

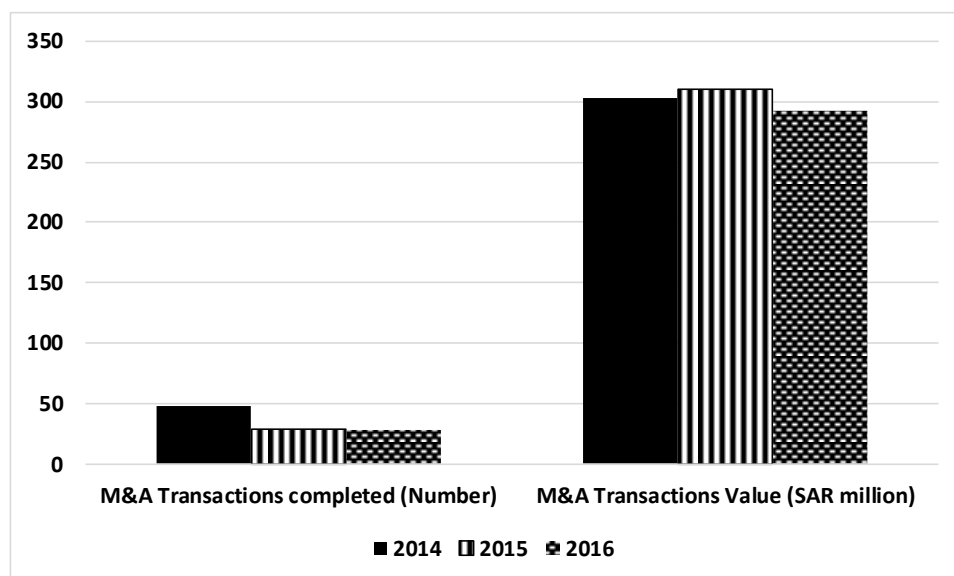
Saudi Arabia has also attracted IFDI through joint ventures and mergers and acquisitions. The highest IFDI as joint ventures has taken place in the oil and petrochemical sector, energy sector and energy-intensive manufacturing sector (UNCTAD, 2013). The main countries investing through joint ventures in Saudi Arabia include Japan, USA and France through the PETRO Rabigh, ConocoPhillips and Total joint venture projects respectively (UNCTAD, 2013). IFDI joint venture stocks in Saudi Arabia for the period of 2008 and 2010 showed that total joint venture stocks in the country are increasing (Figure 2-1). The total joint venture stocks in Saudi Arabia (Figure 2-1) were 233 US\$ billion in 2008, which increased by 50% to 349.3 US\$ billion in 2010 (SAGIA, 2010).

Figure 2-1 IFDI joint venture stock in Saudi Arabia



Source: Created by researcher (data taken from SAGIA, 2010).

Saudi Arabia has also attracted IFDI through mergers and acquisitions (Roberts and Almahmood, 2009; Ramady, 2010). Available data on mergers and acquisitions (M&A) in Saudi Arabia from 2014 to 2016 (Figure 2-1) shows a declining trend in the number of M&A transactions which were 48 in 2014 but decreased to 28 in 2016. The values of M&A transactions fluctuated over the period 2014-2016 that showed total value of M&A transactions to 303 million Saudi Arabian Riyals (SAR) in 2014, which increased to 310 million SAR in 2015; however, it decreased to 292 million SAR in 2016 (Figure 2-2).

Figure 2-2 Mergers and Acquisitions (M&A) in IFDI in the KSA (2014-2016)

Source: Created by Researcher (data source: PWC, 2017).

Saudi Arabia has been attractive to numerous FMNE subsidiaries from different countries since 1973 boom in oil prices (Ali, 2010). The number of FMNE subsidiaries and joint ventures in Saudi Arabia surpassed 2600 in 2001 (Khan, 2001) and it has increased since then due to the entry of FMNE subsidiaries from other countries such as Brazil, China and India (Ali, 2010; Arab Investment & Export Credit Guarantee Corporation, 2017). The main motives behind FMNE subsidiaries' IFDI in Saudi Arabia include the world's largest proven oil reserves, availability of large surplus capital, expanding local and regional markets and growing economic opportunities in the country (Ali, 2010) and mainly opening of new sectors and industries to IFDI in the country (SAGIA, 2016a).

2.5 Empirical research on FMNE subsidiaries in KSA

Literature shows that a few empirical case studies have investigated IFDI by FMNE subsidiaries in Saudi Arabia. In 2011, an empirical study of FMNE subsidiaries in Saudi Arabia conducted by Mababaya (2001) revealed that FMNE subsidiaries were involved in diverse economic activities such as marketing, trading, manufacturing, consulting,

contracting, project management, insurance, hotel operation and banking. The study found that IFDI in Saudi Arabia was positively influenced by socio-economic developments such as Foreign Direct Investment Act 2000 and establishment of the SAGIA but factors like Islamic and cultural values were still important factors inhibiting IFDI in the country (Mababaya, 2001).

A case study involving two Swedish FMNE subsidiaries operating in Saudi Arabia reported they brought IFDI in Saudi Arabia mainly due to country's economic strength and stability, large market size, closeness to other major markets, legislative reforms, economic diversification and customers' perceptions (Chah, 2012). Other factors influencing IFDI in Saudi Arabia were FMNE subsidiaries' global marketing strategy and ownership-specific advantages, international experience in the country and region, resource commitment and industry characteristics; however, cultural differences between the home country of FMNE subsidiaries and the host country (i.e. Saudi Arabia) were reported as barriers (Chah, 2012).

In addition, a study by Akhtar, Khan and Hussain (2013) studied the determinants of resource-seeking IFDI in Saudi Arabia over the last thirty years and found that the greater trade openness, resilient fiscal performance and existence of greater oil reserves were the key determinants of resource-seeking IFDI by FMNE subsidiaries in the country.

Moreover, a very recent study reported that Saudi Arabia has recently attracted efficiency seeking IFDI by FMNE subsidiaries such as software firms from India (Jain, Kundu and Newburry, 2015). More interestingly, the literature shows that Saudi Arabia, like other Arabian countries in the Middle East and North Africa (MENA) does not provide the environment conducive to the efficiency-seeking IFDI that is determined by factors mainly availability of highly skilled workforce, and the lower production costs

such as the availability of cheap labour, which are deficient in Saudi Arabia (Omran and Bolbol, 2003). Consequently, Saudi Arabia is less favourable for attracting efficiency-seeking FDI compared to attracting market seeking and resource seeking FDI (Handoussa and Shnief, 2007).

2.6 Conclusion

In Saudi Arabia, IFDI has been attracted due to the oil and petroleum resources, trade openness, infrastructure development, large market size and institutional quality (Kahai, 2004; Mina, 2007a). The most notable measures promoting IFDI in the country include the enactment of Foreign Investment Law of 2000, the establishment of SAGIA, and development of roads, water, electric, gas and telephone communication facilities (SAGIA, 2016a). IFDI in Saudi Arabia has been mainly in the manufacturing sector (47.7%); followed by the services sector (43.7%) and the primary sector (8.6%). The top three industries that attracted the highest IFDI in the country include chemical industry (33.3%) in the manufacturing sector and the real estate industry (29.4%) and hotels and tourism industry (10.7%) in the services sector.

The greenfield IFDI in Saudi Arabia was 118,532 US\$ million for the period 2003-2015 and the United States (23.5%), France (17%) and Japan (13%) were the top three countries involved in greenfield IFDI in Saudi Arabia (Table 2-6). The highest proportion of Greenfield IFDI in Saudi Arabia was in the services sector (43.6%).

Saudi Arabia has been successful in attracting substantial IFDI (Table 2-3, Figure 4-2) such as net IFDI of 39,455.86 US\$ million in 2008 compared to 3,732.394 US\$ million in 1974; however, the net IFDI in the KSA has declined very recently such as 8,011.796 US\$ million in 2014 (World Bank, 2016), which is perhaps mainly due to the global economic recession that has been recently noticed in many developed countries. In addition, IFDI has yet not been fully allowed in several sectors i.e. oil and gas, military,

explosives, catering, security, real estate in Makkah and Madinah, tourist guidance services, servicing and staff provision and other areas such as midwifery, nursing and allied health services (Appendix 5).

There have been a very few empirical studies on FMNE subsidiaries in Saudi Arabia (Mababaya, 2001; Chah, 2012), which have revealed that FMNE subsidiaries in Saudi Arabia were involved in different economic activities such as marketing, trading, manufacturing, consulting, contracting, project management, insurance, hotel operation and banking (Mababaya, 2001). FMNE subsidiaries were positively influenced by the legislative reforms mainly enactment of Foreign Direct Investment Act 2000, establishment of the SAGIA (Mababaya, 2001) and the economic strength and stability, market size, proximity to other major markets and economic diversification in the country (Chah, 2012). However, some barriers such as Islamic and Arabian values and ethos were important factors limiting IFDI in Saudi Arabia (Mababaya, 2001; Chah, 2012).

In the end, despite the long history of the presence of FMNE subsidiaries and substantial IFDI in Saudi Arabia since the early 1970s (World Bank, 2016), there has been very little empirical research on IFDI spillovers on human capital development in Saudi Arabia and impacts of FMNE subsidiaries' training and development programmes for local managers and related spillovers to local organisations. The present study attempts to fill this gap in the literature.

3 CHAPTER 3: LITERATURE REVIEW

This study focuses on IFDI impacts on human capital development in developing countries. In doing so, this study explores FMNE subsidiaries' human resource development and training programmes for local managers' knowledge and skills development, mobility of trained local managers from FMNE subsidiaries to local organisations and the resultant spillovers to, and impacts, on local organisations and thereby IFDI contributions in local human capital development in host developing countries.

The purpose of this chapter is to provide a review of published academic literature on IFDI, human capital development and related IFDI spillovers and impacts in the context of developing countries. This chapter is divided into ten sections as follows.

Section one provides a review of background literature that includes definitions and explanations of various key terms related to IFDI and human capital, which is followed by literature on IFDI theories and models, motives for IFDI location, modes of IFDI entry, developing country environment for IFDI and IFDI impacts on local human capital in developing countries. Section two presents review of literature on human capital development and new growth theory in relation to IFDI in developing countries. Section three describes impacts of IFDI on human capital development in developing countries. Section four describes FMNE subsidiaries' human resource development and training programmes for local managers in host developing countries. Section five presents literature on IFDI spillovers through local managers' mobility from FMNE subsidiaries to local organisations, transfer of human skills and knowledge, and spillover impacts on local organisations in developing countries. Section six presents a review of existing empirical research in to IFDI related spillovers with special focus on research methods

used in studies on IFDI spillovers. This section reports research designs; data types and data analysis methods used in empirical studies on IFDI led human skills and knowledge spillovers in developing countries. Section seven presents review of literature on spillover effects. Section eight provides researcher's evaluation of the reviewed literature presented in this chapter. Section nine reports gaps that the researcher has identified in the literature on IFDI related human skills and knowledge transfer related spillovers and impacts in developing countries. Section ten provides a summary of this chapter.

3.1 Background

This section provides a review of background literature that includes definition and explanation of various key terms related to IFDI and human capital development, which is followed by a review of IFDI theories and models, motives for IFDI location, modes of IFDI entry, local environment for IFDI in developing countries and IFDI impacts on local human capital in developing countries.

3.1.1 IFDI related key terms

This section defines the following key terms.

FDI

According to the World Investment report 2007 by the United Nations Conference on Trade and Development (UNCTAD, 2007), the Foreign Direct Investment (FDI) is formally defined as, “an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor” (Harhara, 2014). According to the International Monetary Fund (1993) and the Organisation for Economic Co-operation and Development (2008) definitions, FDI reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct

investment enterprise). The “lasting interest” implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the latter. Thus, the direct investment involves both the initial transaction establishing the relationship between the investor and the enterprise and all subsequent capital transactions between them and among the subsidiaries, both incorporated and unincorporated (Almahmood, 2011). The FDI can be either inward or outward of a reporting economy. The former type of FDI is generally called as the inward FDI while the latter is known as the outward FDI.

Inward FDI

The inward FDI (IFDI) refers to the movement of the FDI inside the reporting country while the outward FDI (OFDI) (also known as FDI outflow) means movement of FDI outside of the reporting country. The IFDI can take place between two countries but in most cases the IFDI is from a developed country to a developing country or a country in transition (Lautier and Moreaub, 2012).

Human Capital

The term human capital refers to the skills and knowledge that an individual acquires through the education, training and work experience (Unger et al., 2011).

3.1.2 IFDI Theories and Models

Several researchers have attempted to better understand FDI in foreign markets by multinational enterprises. In this regard, there are two very important research questions: (i) Why do FMNE subsidiaries enter in to foreign markets? (ii) Which locations do FMNE subsidiaries select for their overseas operations? Answers to these questions were sought by earlier researchers such as Hymer (1976) and Dunning’ OLI model (ownership, location and Internalisation model) (Dunning, 1977, 1980, 1988). Theories and models

on IFDI suggested by Hymer (1976) and Dunning (1997, 1980, and 1988) are described below.

Hymer's Theory

Hymer (1960, 1976) developed his theory on International Operations of (Multi) National organisations and FDI, which is also known as theory of the multinational enterprise (MNE) and FDI (Pitelis, 2002; Dunning and Pitelis, 2008). Hymer (1976) suggested that transfer of capital is involved in both the portfolio investment and the FDI but the difference between the two is that in portfolio investment capital movement is governed by differential in the interest rates between two countries while in the case of FDI, the capital movement is independent of the interest rate and it involves MNE control over production in the FDI in the host country (Dunning and Rugman, 1985). In addition, Hymer (1976) suggested that FDI is determined by two major factors i.e. removal of competition and advantages that organisations get from a specific business activity (Denisia, 2010). Thus, FDI is a firm-level strategy decision (Hymer, 1976). Hymer (1960) also argued that IFDI does not relate to country environment for example by high interest rate (Rowthorn, 2006). Moreover, Hymer (1960) suggested that for multinational organisation, FDI is the main mechanism of expansion across borders / overseas where they establish their foreign activities and benefit from them (Andersen, Ahmad, and Chan, 2014). However, the Hymer's theory has been criticised for some reasons such as its failure to report enough reasons for the development and emergence of FMNE subsidiaries in the competitive industries and markets and no exact match between the growth of FMNE subsidiaries and FDI (Hennart, 2009).

Dunning Model

Dunning (1977, 1980, 1988) suggested that three factors i.e. ownership, location and internalisation advantages are essential for FDI, which he integrated in a single unified

theory referred as the ‘eclectic paradigm’, or more commonly known as the OLI model (ownership, location and Internalisation model). Dunning (1977, 1988) argued that the MNE must have an ownership advantage such as patents, trade secrets and control over production process that outweighs the inconvenience of overseas production. Dunning (1977, 1988) also contended that the host country needs to provide locational benefits that make it profitable for the MNE to carry out production overseas rather than in the home country. These locational advantages could include various factors such as access to local and regional markets through Free Trade Agreements (FTAs) or customs unions, availability of cheaper factors of production, lower transportation and communications costs, the opportunity to avoid trade protection and attractive investment incentives (Dunning, 1977, 1988).

In the OLI model, the most important aspect described by Dunning (1977, 1988) was the internalisation advantage, which suggested that there should be advantages for an MNE to acquire overseas assets through FDI compared to simply selling or licensing the rights. Table 3-1 illustrates the importance of these three factors and their relevance to IFDI, which shows that under the OLI model any FDI will only take place if all three categories of benefits exist (Dunning, 1981 cited by Harhara, 2014). Dunning (1977; 1988) simply stated these conditions but without listing the necessary requirements for IFDI to take place.

Table 3-1 Importance of OLI to IFDI

		Categories of Benefits		
		Ownership	Location	Internalisation
Forms of market entry	Licensing	YES	NO	NO
	Export	YES	YES	NO
	IFDI	YES	YES	YES

Source: Dunning (1981) cited by Harhara (2014)

Theory of Quality of Institutions

The theory of quality of institutions in relation to the IFDI suggests that the institutional quality plays an important role in attracting IFDI. This theory suggests that institutions, rule of law, contract enforcement, protection of property rights, and issues involved in economic exchange are imperative for IFDI (Kaufmann, Kraay and Zoido-Lobaton, 2000). In addition, the governance infrastructure, defined as the political, institutional, and legal environment, has a significant positive impact on IFDI (Globerman and Shapiro, 2003). Moreover, economic freedom and corruption are important factors that influence IFDI in a host country (Kahai, 2004).

The quality of institutions is one of the main factors that affect the IFDI (Lucke and Eichler, 2016). Earlier studies reported that low levels of corruption are related with greater prosperity and indicate a good institutional quality (Bénassy-Quéré, Fontagné and Lahrière-Révil, 2001). Thus, there is a direct link between the quality of institutions and IFDI (Meon and Sekkat, 2004). The reasoning behind this argument is that effective and quality organisations help in attracting IFDI and increase in the productivity in local organisations (Lucke and Eichler, 2016) because increase in the productivity, with associated improvement in corporate governance systems, tend to attract IFDI. Therefore, such systems give a clear view to foreign investors and allow them to incorporate smart planning whereas the weak institutions add to the corporate costs of IFDI and corruption makes investment very difficult in a country (Wei, 2000). Therefore, FMNE subsidiaries' decisions regarding FDI are based on the quality of institutions that includes the quality of government offices and regulations in host countries (Francis, Zheng and Mukherji, 2009).

The latest empirical evidence from 65 countries shows that better quality of institutions has positive association with IFDI in the host developing countries (Lucke and Eichler,

2016) Nevertheless, the quality of institutions is heavily determined by the national culture, which influences peoples' behaviours, attitudes and ethos (Li, Jiang and Shen, 2016). For example, the evidence from Middle Eastern countries shows that IFDI in to these countries is adversely affected by political instability and the quality of institutions, which are infested with a high level of corruption (Touny, 2016). These findings suggest that the national and organisational / institutional cultures and environments could adversely affect IFDI in to developing countries. It is therefore imperative to discuss the national and organisations cultures in the following sub-sections.

Cultural Theories and FDI

The term culture is generally described as 'the homogeneity of characteristics that separates one human group from another' (Hofstede, 1980); thus, it defines and explains a society's profile including its norms, values and institutions (Hofstede, 1980; Trompenaars and Hampden-Turner, 1998; Tihanyi, Griffith, and Russell, 2005). Hence, the culture could make societies either closer to or apart from each other. The cultural distance is defined "as the degree to which cultural values in one country are different from those in another country" (Sousa and Bradley, 2006). Therefore, from the IFDI perspective, the term cultural distance refers to the distance between culture of the country of the investing firm (FMNE) and the culture of the country of entry (host country) (Kogut and Singh, 1998). Several researchers have used the cultural distance concept in the international business studies such as IFDI location and IFDI mode of entry (Sousa and Bradley, 2006). Two types of culture i.e. the national culture and organisational culture are important in the domain of international business and IFDI as discussed below.

National culture

From the IFDI perspective, the national culture of the host country and the national culture of the home countries of FMNE subsidiary are important factors because these two national cultures determine the cultural distance (the distance between the culture of the home country and the culture of the host country) (Kogut and Singh, 1998), which is an important issue in the international business and IFDI (Sousa and Bradley, 2006). For example, FMNE subsidiaries operating in developing countries face challenges in coping with the national culture of the home country (commonly a developed country) and the national culture of the host country (mostly a developing country) (Barkema, Bell and Pennings, 1996), which could be dissimilar and generally believed to be wide apart from each other. In addition, the FMNE subsidiaries employ local staff (including both managers and workers), work with local suppliers and sell goods to local customers in the host country. The national culture also determines the learning styles and preferences of individuals (Holtbrügge and Mohr, 2010). Consequently, FMNE subsidiaries could be greatly influenced by the national culture of the host country that could affect the employee behaviours, work culture and performance of FMNE subsidiaries; thus, the organisational culture has linkages with the national culture and the human resource management and human capital development (Brown, 1998, p. 2).

Cultural distance

Literature in the realm of international business and especially the FDI reveals that the cultural distance significantly affects IFDI at various stages. For example, the location of foreign market / country for an IFDI, the choice of IFDI mode of entry in the foreign market / country and the performance FMNE subsidiaries in foreign markets / host countries (Shenkar, 2001; Tihanyi, Griffith, and Russell, 2005; Chakrabarti, Gupta-Mukherjee, and Jayaraman, 2009). In addition, FMNE subsidiaries' knowledge transfer

to the host countries is also significantly affected by the cultural distance between the national culture and organisational culture (Ahammad et al., 2016), as described below.

Organisational culture

Organisation culture is important topic not only in the domain of international business but also in the field of organisational theory and human resource development theory. The term organisational culture has been defined differently (Brown, 1998, p. 7-9; Martins and Terblanche, 2003). For example, Brown, (1998, p. 9), defined the term organisational culture as “the pattern, values and learned ways of coping with experiences and behaviours of (organisation’s) members.” For Martins and Terblanche (2003), the term organisational culture means “the deeply seated values and beliefs shared by personnel in an organisation”. The organisational culture is therefore shaped by the interaction of people in an organisation and it is manifested by their behaviours and attitudes (Martins and Terblanche, 2003). Thus, the organisational culture affects not only the organisational performance but also influences the creativity and innovations (Ahmed, 1998; Martins and Terblanche, 2003) and the competitiveness (Zain, Kassim and Kadasah, 2017). Therefore, organisations need a strategic vision, flexible and open structures, mechanisms and behaviours encouraging innovation, creativity and open communication (Martins and Terblanche, 2003) as well as knowledge sharing culture and an employee (person) – organisation fit (Ouakouak and Ouedraogo, 2017).

Hence, from the perspective of IFDI in developing countries, the national culture of the host country and the national culture of the FMNE subsidiary are important factors because they affect the behaviours and attitudes of people; thereby affect the organisational culture and performance (Li, Jiang and Shen, 2016). However, earlier researchers have argued that cultural distance is outside the of control business organisations such as FMNE subsidiaries, which can only address the consequences of

psychic distance that is based on the perceptions of individual (Sousa and Bradley, 2006).

3.1.3 Motives for IFDI Location

The motivations of MNE for internationalisation and investing in foreign countries have evolved over the last five decades since the work of Hollander (1970) and the process continues such as the very recent work by Cuervo-Cazurra, Narula and Anniq Un (2015). FMNE motivations for IFDI location are determined by various factors that relate to both the home country and the host country. The host country factors could also vary between developed countries and the developing countries.

IFDI location motivations include commercial motives such as sales in foreign markets and non-commercial motives such as political and social reasons (Hollander, 1970). In addition, IFDI location is determined by the seeking motives such as seeking resources, markets, efficiency and (strategic) assets (Behrman, 1972), which have also been widely recognised in the literature (Dunning, 1977, 1988, 1993; Dunning and Lundan, 2008; Verbeke, 2013).

IFDI location motives include vertical motives such as comparative advantage in input or factor markets, and horizontal motives such as market opportunities and avoidance of trade protection barriers, high transport costs, foreign exchange shifts and requirements for local adaptation (Hymer, 1976). Other IFDI location motivations are determined by external factors i.e. 'pull or proactive' factors (such as market attractiveness in the host country) and 'push or reactive' factors (such as saturation of market and slow growth in the home country) (Kacker, 1985; Treagold and Davies, 1988).

In addition, IFDI location motivation also are determined by value chain factors and these motives include upstream motives (such as raw material opportunities) and down motives (such as reduction in uncertainty in distribution) (Porter, 1986). IFDI location is

also determined by ad-hoc motives like growth oriented opportunities (such as increase sales and profits in the host country), limited domestic market opportunities (such as saturation, competition and regulation in the home country) and passive and subjective motives (such as surplus capital and foreign offer) (Williams, 1992).

IFDI location motives have also been reported to be intrinsic motives (such as seeking resources, market, efficiency and strategic assets), extrinsic motives (such as escape motives from home country, strategic extension of home country and low barriers to entry in the host country), and mixed motives (also known as sector intrinsic factors) such as risk minimising monopoly/oligopoly effects, for country selection follow the client (van Tulder, 2015). IFDI location is also determined by searching for something good and avoiding something bad (Cuervo-Cazurra, Narula and Annique Un, 2015). Earlier researchers have suggested that IFDI location motives can be categorised in to four types: sell more motive (such as exploit existing resources at home and obtain better host country conditions), buy better motive (exploit existing resources abroad and avoid poor home country conditions), upgrade motives (such as explore new resources, and obtain better host country conditions) and escape motives (such as explore new resources and avoid poor home country (Cuervo-Cazurra, Narula and Annique Un, 2015).

Broadly, the IFDI location motives are intrinsic motives and extrinsic motives. The extrinsic motives include seeking resources, market opportunities, efficiency and strategic assets (Behrman, 1972, Hymer, 1976; Kacker, 1985; Dunning, 1977, 1988, 1993; Dunning and Lundan, 2008; Verbeke, 2013; Cuervo-Cazurra, Narula and Annique Un, 2015; Van Tulder, 2015). While the extrinsic motives for IFDI location include avoidance of barriers and competition at the home country and exploiting resources and markets in the foreign countries, reducing costs, maximising profits and acquiring

strategic assets such as patents (Dunning, 1993; Dunning and Lundan, 2008; Verbeke, 2013; Benito, 2015; Cuervo-Cazurra, Narula and Annique Un, 2015).

It is therefore argued that there are various types of IFDI location motives that vary between FMNE subsidiaries (Benito, 2015; van Tulder, 2015) and between host countries, which could be developed countries, developing countries and transitional economies. It is therefore suggested that some IFDI location motives could be more relevant to developed countries as host countries while some IFDI location motives could be more applicable in developing countries as host countries (Li, Li and Shapiro, 2012; Rapoza, 2013; Van Tulder, 2015). Based on the literature review, the researcher has identified IFDI location motives that could be more applicable in developing countries as shown in Table 3-2.

Table 3-2 Motives for IFDI Location in developing countries

Type of motive	Reference
Commercial motives: sales in foreign markets	Hollander, 1970; Williams, 1992; Cuervo-Cazurra, Narula and Annique Un, 2015
Seeking motives: Resources, market, efficiency and strategic assets	Behrman, 1972; Porter, 1986; Dunning, 1977, 1988, 1993; Dunning and Lundan, 2008; Verbeke, 2013; Van Tulder, 2015; Cuervo-Cazurra, Narula and Annique Un, 2015
Vertical motives: Comparative advantage in input or factor markets Horizontal motives: Market opportunities	Hymer, 1976; Kacker, 1985; Treagold and Davies, 1988

Source: Developed by Researcher (based on studies by Cuervo-Cazurra, Narula and Annique Un, 2015; van Tulder, 2015; Meyer, 2015)

In addition, literature reveals that FMNE subsidiaries differ from each other in terms of their motives for IFDI location (Benito, 2015). After the fulfilment of IFDI location motives (Giroud and Mirza, 2015), FMNE subsidiaries setup their subsidiaries in

developing countries that they find favourable for FDI (Ghauri and Firth, 2011). IFDI modes of entry are described in the next section.

3.1.4 Modes of IFDI entry and source countries

The most common modes of IFDI entry in the host countries include greenfield investment, joint venture and acquisition (brownfield investment) (Kolb, 2007). These modes of IFDI entry are described below.

Greenfield investment

The term Greenfield investment refers to a form of IFDI in which a FMNE creates a wholly owned new foreign enterprise (also known as Greenfield facility) in a host country (Dikova and Witteloostuijn, 2007; Kolb, 2007). The Greenfield investment mode of IFDI entry provides FMNE greatest control over the foreign subsidiary (Zhang, Zhang and Liu, 2007) but requires resource commitment, takes longer time to establish a subsidiary and attain the local knowledge and expertise (Erramilli and Rao, 1990; Anand and Delios, 1997; Herrmann and Datta, 2006; Zhang, Zhang and Liu, 2007).

Joint venture

The term joint venture refers to a shared (partial) ownership with a foreign partner in a foreign subsidiary (Moon, 1997; Dikova and Witteloostuijn, 2007; Chen, 2012), which involves pooling of assets, common use and sharing profits (Kogut and Singh, 1988). The benefits of this mode of IFDI include less resource commitment (Phatak, 1997), capitalisation of resources, expertise and local knowledge of the local partner and minimising risks (Chang and Rosenzweig, 2001; Delios and Henisz, 2003; Tihanyi et al., 2005; Zhang, Zhang and Liu, 2007). However, joint ventures could involve challenges such as managing effective working with the foreign partner whose interests might change after some time (Chang and Rosenzweig, 2001).

Acquisition (Brownfield investment)

The term acquisition means buying equity shares in an existing foreign business entity in the host country (Dikova and Witteloostuijn, 2007). This type of IFDI entry involves less risks due to access to both the tangible resources and the intangible assets including local managers and workers having local knowledge (Hill, 2003), which are important incentives for FMNE subsidiaries (Bhaumik and Gelb, 2005).

IFDI source countries

IFDI in developing countries depends on the FMNE subsidiaries, which mainly come from developed countries but also from the developing countries. The developed countries that bring IFDI in developing countries such as the USA, UK, France, Canada, Australia, and Japan while the developing countries that also bring IFDI in developing countries such as South Korea, China, India, Brazil and South Africa (UNCTAD, 2016, 2017). Nevertheless, IFDI source countries in developing countries such as Saudi Arabia could include both the developed countries such as United States, France, Japan and UK as well as developing countries such as China, India, Singapore and UAE (please see Table 2.6) (Arab Investment & Export Credit Guarantee Corporation, 2017).

For FMNE subsidiaries, the mode of IFDI entry in to a host country is an important strategic decision (Anderson and Gatignon, 1986; Agarwal and Ramaswami, 1992; Werner, 2002; Herrmann and Datta, 2006; Chen, 2012) because it is an important decision that needs to consider several issues. For example, the assessment of benefits and risks (Chang and Rosenzweig, 2001; Dikova and Witteloostuijn, 2007), the level of control (Agarwal and Ramaswami, 1992), commitment of resources (Anderson and Gatignon, 1986), cost of operation (Chen, 2012), the characteristics of the national culture of the host (Kogut and Singh, 1988) and cross-cultural integration (Chang and

Rosenzweig, 2001). Thus, IFDI by FMNE subsidiaries is dependent on the host country's local environment, which is described next.

3.1.5 Developing Country Environment for IFDI

The host country environment plays a highly critical role in attracting IFDI. The local environment in a host developing country includes two main categories of factors i.e. factors that promote IFDI and factors that inhibit / limit IFDI in the country as discussed below. There are several factors that promote IFDI in developing countries (Table 3-3).

Table 3-3 Local environment factors promoting IFDI in developing countries

Category	Local environment factor	Reference
Localisation advantage	Differences in factor quality, costs and endowments, international transport and communication costs, overcoming trade restrictions, and host government policies	Dunning, 1993
Market factors	The market size in host country	Al Sewilem, 2012; Benito, 2015; Giroud and Mirza, 2015
	Large population	Javorcik, 2004; Giroud and Mirza, 2015
	Cheap labour and natural resources	Burt, 1997; Benito, 2015
	Purchasing power	Benito, 2015; Giroud and Mirza, 2015
Human capital	Human capital, skills and knowledge development	Kottaridi and Stengos, 2010; Mahmood and Rehman, 2013; Sonmez, 2013; Goswami and Haider, 2014; Elfakhani and Mackie, 2015; Hoang, and Bui, 2015; Khayat, 2016; Narula and Pineli, 2017; Hidayat, Ullah, and Ghazala, 2017
	Quality of education and training	Miyamoto, 2003, 2008; Mina, 2007b; Neycheva, 2013
Legal, administrative and institutional factors	Advancement of reforms in host country	Al Sewilem, 2012
	Laws on books and their enforcement	Javorcik, 2004
	Effectiveness of the legal systems	Javorcik, 2004
	Privatisation	Javorcik, 2004
Trade, commerce and custom related factors	The abolition of trade barriers in host country	Al Sewilem, 2012

	Transparency in economic and investment policies	Drabek and Payne 1999; Saggi, 2000
	No or low controls on privatisation	Javorcik, 2004
	Strong intellectual property rights system	Lee and Mansfield, 1996; Smith, 2001; Benito, 2015
	Low corporate tax rate	Javorcik, 2004
Economic, Social, cultural, political and religious factors	Positive previous investment experience	Hallward-Driemeier, 1996
	Rapidly growing GDP	Giroud and Mirza, 2015
	Level of economic and infrastructure development	Benito, 2015
	No (or very low) corruption level	Javorcik, 2004
	Economic and political stability	Benito, 2015

Source: Researcher

Among factors promote IFDI in developing countries some factors are more important such as localisation advantages (Dunning, 1993), cheap labour and natural resources (Burt, 1997) and large market size (Javorcik, 2004; Al Sewilem, 2012, Giroud and Mirza, 2015), which help in minimising costs of production and exploiting economies of scale (Chakrabarti, 2001; Moosa and Cardak, 2006). In addition, government policies in the host country (Dunning, 1993) such as IFDI promoting legislation, privatisation and intellectual property rights (Lee and Mansfield, 1996; Smith, 2001; Javorcik, 2004), transparency in economic and investment policies (Drabek and Payne 1999; Saggi, 2000) and low corporate taxes and corruption levels (Javorcik, 2004) are also major factors that attract IFDI in developing countries. Another important factor that positively influences IFDI is the degree of openness of the host country economy because IFDI is more directed towards the tradable sector with potential foreign exchange earnings, which means the more open the economy, the more IFDI it attracts (Chakrabarti, 2001; Moosa and Cardak, 2006).

More importantly, the quality of human skills and knowledge is one of the key factors that determine IFDI in to developing countries (Soltanpanah and Karimi, 2013; Goswami and Haider, 2014; Kumari and Sharma, 2017). The quality of human capital development

improves the IFDI location advantage of the host country (Khayat, 2016) and thereby it attracts IFDI (Mahmood and Rehman, 2013; Goswami and Haider, 2014; Elfakhani and Mackie, 2015; Hoang, and Bui, 2015; Khayat, 2016; Narula and Pineli, 2017; Hidayat, Ullah, and Ghazala, 2017). Nevertheless, the quality of human capital development depends on the quality of education and training in the host country (Neycheva, 2013) and in many developing countries the quality of education and training is low (Miyamoto, 2003, 2008; Mina, 2007b). Thus, the quality of human capital is weak in most of the developing countries (Bhaumik and Dimova, 2013) and there are knowledge and skills gaps despite substantial investment in the education, training and human capital development in some developing countries such as Saudi Arabia (Mahmood and Rehman, 2013).

The factors that inhibit and limit IFDI in host developing countries are presented in Table 3-4. The most notable factors that inhibit IFDI in developing countries include the host market factors i.e. small population (Javorcik, 2004) and small market size (Al Sewilem, 2012) and expensive local labour and natural resources (Burt, 1997). In addition, the low level of human capital development and knowledge and skills development in developing countries could also inhibit IFDI (Borensztein, Gregorio and Lee, 1998; Shen and Darby, 2006; Kottaridi and Stengos, 2010; Bhaumik and Dimova, 2013). Other important factors inhibiting IFDI include legal, administrative and institutional factors such as higher levels of corporate taxes and entry costs also adversely affect IFDI in developing countries (Javorcik, 2004). IFDI in developing countries is also inhibited by the trade, commerce and custom related factors such as higher levels of corporate taxes, entry costs and strict controls on privatisation (Javorcik, 2004), lack of transparency in economic and investment policies (Drabek and Payne

1999; Saggi, 2000) and weak (or lack of) intellectual property rights system (Sharp and Barz, 1997; Javorcik, 2004).

Furthermore, IFDI in host developing countries is limited due to local social, cultural, political, economic and religious factors such as high corruption, local tensions and political instability (Javorcik, 2004) as well the negative previous investment experience (Hallward-Driemeier, 1996).

Table 3-4 Local environment factors inhibiting IFDI in developing countries

Category	Local environment factor	Reference
Market factors	Small market size	Al Sewilem, 2012
	Small population	Javorcik, 2004
	Expensive labour and natural resources	Burt, 1997
Human capital development	Low quality of human capital development	Borensztein, Gregorio and Lee, 1998; Shen and Darby, 2006; Kottaridi and Stengos, 2010; Bhaumik and Dimova, 2013
Legal, administrative and institutional factors	Higher taxes and entry costs	Javorcik, 2004
Trade, commerce and custom related factors	Weak (or Lack of) intellectual property rights system	Sharp and Barz, 1997; Javorcik, 2004
	Lack of transparency in economic and investment policies	Drabek and Payne 1999; Saggi, 2000
	Strict controls on privatisation	Javorcik, 2004
	High corporate tax rate	Javorcik, 2004
Social, cultural, political, economic and religious factors	Local tensions and political instability	Javorcik, 2004
	Higher corruption level	Javorcik, 2004
	Negative previous investment experience	Hallward-Driemeier, 1996

Source: Researcher.

In summary, FMNE subsidiaries bring IFDI in to countries where they find their motives fulfilled (Giroud and Mirza, 2015), for example availability of natural resources,

markets, and strategic assets seeking (Behrman, 1972; Porter, 1986; Dunning, 1977, 1988, 1993; Dunning and Lundan, 2008; Verbeke, 2013; Van Tulder, 2015; Cuervo-Cazurra, Narula and Annique Un, 2015). The key host country environment factors affecting IFDI in developing countries include market factors such as population and market size, availability and costs of local skilled labour and natural resources (Burt, 1997; Javorcik, 2004; Al Sewilem, 2012), legal, administrative and institutional factors such as advancement of reforms, laws on books and their enforcement and effectiveness (Javorcik, 2004; Al Sewilem, 2012), trade, commerce and custom related factors such as transparency in economic and investment policies, controls on privatisation, intellectual property rights system, corporate taxes and trade barriers (Lee and Mansfield, 1996; Sharp and Barz, 1997; Drabek and Payne 1999; Saggi, 2000; Smith, 2001; Javorcik, 2004; Al Sewilem, 2012) and social, cultural, economic and political factors such as corruption level and previous investment experience (Hallward-Driemeier, 1996; Javorcik, 2004). However, availability and quality of local human capital are also major determinants of IFDI in developing countries (D'Agostom, Solferino and Tria, 2013).

3.1.6 IFDI linkages with local human capital in developing countries

Published literature shows that IFDI increases direct and indirect demand for skilled labour in developing countries (D'Agostom, Solferino and Tria, 2013), which is mainly due to the complementarity between the physical capital and the human capital that pushes FMNE subsidiaries to finance and establish human resource development and training programmes in developing countries. Additionally, the positive impact of IFDI on the demand for skilled labour increases the return of private investments in human capital in developing countries. Moreover, IFDI leads to higher rates of human capital accumulation and increases incentives for individuals to pursue further education and training (Ramos, 2001). IFDI also accelerates technical change, which further increases

incentives for individuals to seek formal training (Bils and Klenow, 1998). More importantly, FMNE subsidiaries' human capital development through formal and informal training of local professionals, engineers, scientists and technicians significantly contributes in skill and knowledge development in developing countries (Gachino, 2012). Thus, IFDI contributes in human capital development in developing countries (D'Agostom, Solferino and Tria, 2013), which leads to spillovers through local labour mobility (Gachino, 2012).

However, the absorptive capacity of local organisation is a precondition for successfully benefiting from FDI spillovers (Crespo and Fontour, 2007), which may suggest that a low absorptive capacity could limit spillovers impacts on local organisations in developing countries (Seyoum, Wu, and Yang, 2015) because of their inability to absorb and integrate knowledge of FMNE subsidiaries (Gerschewski, 2013). One of the important factors for enhancing the absorptive capacity in local organisations is the availability of skilled labour in the local organisations (Girma et al., 2001 cited by Cook, 2008; Farole and Winkler, 2014), which may be limited in many developing countries. Therefore, developing countries need to develop a highly skilled labour, because it is positively associated with IFDI spillovers (Blalock and Gertler, 2009).

The above findings suggest that there are positive linkages between the IFDI and local human capital development in developing countries. Consequently, it is argued that there are linkages between the International Business Theory and the human resource management and human capital development theories that are described in the following section.

3.2 Human Capital Development and New Growth Theory

This section describes human capital development theory and new growth theory and their linkages with the IFDI in the context of developing countries.

3.2.1 Human capital development

The concept of human capital refers to the abilities and skills of human resources of a country while the human capital development refers to the process of acquiring and increasing the number of persons who have the skills, education and experience that are critical for economic growth and development of a country (Okojie, 1995). Human capital includes general skills of managers, knowledge of organisation-specific technology, management skills specific to the organisation, and efficient communication skills with co-workers (Kim and Park, 2013). Therefore, human capital is recognised as an important factor that could affect the success of organisations (Becker, 1993) and the most successful organisations depend on intangible advantages such as human capital that is more difficult to imitate and to transcend. Consequently, human capital influences the performance of organisations in strategic management (Hitt *et al.*, 2001).

The concept of human capital has been developed over a long time. In 2002, Huang *et al.* (2002) emphasised that human capital consists of the knowledge, skills, abilities, attitudes and experience required to accomplish the mission of an organisation. From the strategic human resource perspective, assuming that not all existing knowledge and skills are strategic, the first step is determining what forms of human capital exist in the organisation and how they can be a source of competitive advantage (Perez and Pablos, 2003).

Developing human capital

Development of human capital can be achieved through importing the knowledge, skills or abilities from external sources and thus human capital development is related to the investment in staffing and training for developing the knowledge, skills and abilities of managers and workers for executing strategic business plans (Grossman, 2000). In other words, investment in human capital is related to those things that an organisation does to

ensure that the managers and workers in the organisation have the skills required to execute a given organisational strategy (Wright and Snell, 1991).

Thus, investment in human capital measures categories of organisation's workforce and willingness of the organisation to understand and invest in its managers and workers (Le Blanc, Rich and Mulvey, 2000). To foster and build the human capital, organisations must not only recruit and select top quality managers and workers but also invest in human resource development and training programmes to produce a unique pool of human capital (Huselid, Jackson and Schuler, 1997). The main outcome of the investment in human capital is the change that is manifested in different forms at three levels i.e. improved performance at the individual level, improved productivity and profitability at the organisational level and returns benefiting the entire society at the societal level (Huselid, Jackson and Schuler, 1997).

In this regard, the Human Capital Theory argues that investing in people makes them productive (Holton and Naquin, 2005). Lucas (1988) argues that human capital has "internal productivity effect" and "external productivity effect". Therefore, an individual's human capital increases not only his or her own productivity but also the productivity of other managers and workers with any given skill level (Mathur, 1999); hence, in the presence of this externality (spillover) effect, the growth rate is higher in those organisations and regions that invest more to accumulate human capital (Mathur, 1999).

Human capital accumulation

The human capital accumulation has long been considered an important factor in economic growth and development, and it is widely agreed that human capital development is the key factor underpinning efforts for economic and social development in a country (Benhabib and Spiegel, 1994). While arguing that human capital is an input

into the production process like any other factor of production, Lucas (1988) contended that the accumulation of human capital means capital deepening, which leads to a period of accelerated growth towards a new steady state growth path. Some other researchers have expanded the definition of capital in the neoclassical growth model to include human capital. For example, Cohen and Soto, (2007) stated that human capital is the most important productive factor in modern times. They suggested that individuals and nations need to increase investment in human capital rather than in machines and capital, which used to be the “raw force of labour” (Cohen and Soto, 2007). In addition, the focus of investment of human capital should be on the training of labour involving both managers and workers (Van Buren, 1999).

The human capital development also contributes indirectly to the growth of employment. The indirect effects of human capital accumulation include expanded knowledge and skills base and talents of managers and workers. In addition, the social aspects of human capital accumulation, characterised as spillover effects, generate an expanded knowledge base (Mathur, 1999). Thus, human capital comprises four dimensions: senior managers’ competence, managers’ ability of intrapreneurship, input of human capital and investment of performance (Jaw, Wang and Chen, 2006). However, from the IFDI perspective, human capital encompasses the knowledge, skills and capability of managers and workers of FMNE subsidiaries.

Human-capital theory

The human-capital theory offers a theoretical framework in which labour economists started to study the impact of human resource development and training programmes on managers’ performance in the labour market. Human capital theory was launched by a supplement volume of the Journal of Political Economy on ‘Investments in Human Beings’ in 1962 (e.g. Becker, 1962; De Grip and Sauermann, 2013).

Schultz (1964) defined human capital as “the knowledge and skills that people acquire through education and training; being a form of capital, and that this capital is a product of deliberate investment that yields returns.” While, Psacharopoulos and Woodhall (1985) defined human capital as investing in both formal and informal education and training, which enhances individual productivity by providing knowledge, skills, attitudes and motivation necessary for economic and social development.

In addition, De La Fuente and Ciccone (2002) defined the human capital as “the knowledge and skills embodied in humans that are acquired through schooling, training and experience, and are useful in the production of goods, services, and further knowledge”. Other researchers suggested that human capital is necessary for the discovery of new technology; thus, human capital stock is permanently related to the growth rate of output (Romer, 1990; Aghion and Howitt, 1992). Becker (1993, p.11), defined the theory of human capital as a form of investment by individuals in education up to the point where the returns in extra income are equal to the costs of participating in education (Nafukho, Hairston and Brooks, 2004). Therefore, investment in training has been reported as a very important investment in the human capital development (Becker, 1993, p.11). In addition, human capital development requires human development training that could be on the job and off the job, and it can include general training and specific training (Becker, 1993).

The fundamental principle underpinning the Human Capital Theory is the belief that peoples’ learning capacities are of comparable value to other resources involved in the production of goods and services (Lucas, 1988). The Human Capital Theory therefore seeks to explain the gains of training as a form of investment in human resources (Aliaga 2001) and the main proposition is that people are considered as a form of capital for development (Engelbrecht, 2003). From this perspective, human resource development

and training programmes are deliberate investments that prepare the labour force and increase productivity of individuals and organisations, as well as encourage growth and development at the national and international levels (Nafukho, Hairston and Brooks, 2004).

The Human Capital theory therefore focuses on the human resource development and suggests investment in training and development (Nafukho, Hairston and Brooks, 2004), which bring positive return on investment (Zula and Chermack, 2007), which benefit to both managers and workers and organisations (Chen and Lin, 2003).

Training, age and gender

From the human capital development perspective, a few issues regarding training and development such as the general and specific training, age and training, and women and training are also worthy of discussion here.

The Human capital theory suggests that both the managers and workers and organisations jointly decide on the investment in training based on the positive benefits that would arise from the training (Ng, 2005). For employees, investment in training is imperative because they see positive impact of training through getting a job while for organisations providing training is aimed at filling the gap in employees' skills (Wasmer, 2006; Ng, 2005) and improving the performance and productivity of both the workers and the managers (Mackelprang, Jayaram and Xu, 2012). In addition, providing training is important for developing human capital related capabilities of managers and workers and the training could include job specific training and general training (Zheng et al., 2007). Nevertheless, organisations mostly provide only job-related training that develops managers and workers' skills related to the job requirements (Mackelprang, Jayaram and Xu, 2012).

Literature shows that in the services sector organisations, job specific training improves workers and managers' capabilities (Arthur et al., 2003), productivity (Harrold, 2000) and performance (Mackelprang, Jayaram and Xu, 2012) including the operating performance (Babakus et al., 2003), service performance (Johnson, 1996) and customer delivery performance (Rahman and Bullock, 2005), which are important for the customer satisfaction (Harter et al., 2002; Verhoef et al., 2001). Thus, organisations especially in the services sector provide job specific training to their workers and managers (Mackelprang, Jayaram and Xu, 2012).

Although job specific training improves workers and managers' performance and increases job tenure, training in general skills increases the bargaining position of workers and managers and their employment prospects not only in the same organisations but also in other organisations both within and outside of the sector (Wasmer, 2006). In addition, FMNE subsidiaries reserve training budget for training to their local workers and managers to fill the gap in their skills in host countries (Tang et al., 1996). Research studies undertaken in developing countries such as China have shown that organisations provide training to fill skills shortage in their workers and managers (Ng, 2005).

These findings therefore suggest that in developing countries organisations provide training to their employees mainly for filling gaps in their skills and knowledge. In specific sectors such as services sector, organisations usually provide job-specific training to increase workers' and managers' capabilities (Arthur et al., 2003 Mackelprang, Jayaram and Xu, 2012), productivity (Harrold, 2000) and performance (Tharenou et al., 2007; Mackelprang, Jayaram and Xu, 2012).

Literature shows that there is inverse relationship between the age and receiving training i.e. as the age increases, receiving of the training decreases (Osterbrook, 1996; Barron,

Berger and Black, 1997; Gree and Zanachi, 1997). While, other researchers have reported that employees of specific age groups receive more training than their colleagues in other age groups such as females between 30 years and 40 years of age get more training compared to females aged lower or higher than 30-40 years of age (Shields, 1998, cited by Ng, 2005).

However, literature shows that age does not affect training probability of male employees for examples as study by Ng (2005) undertaken in China reported that male employees aged above 50 years were almost 50% more likely to receive on job training compared their colleague who were age 26 years or under. The same study also reported that off the job training was also higher in older employees (aged 35 years and above) compared to younger employees (aged less than 35 years) (Ng, 2005).

Thus, these findings suggest that the probability of receiving training is affected by age and gender i.e. older male employees are more likely to receive more training while in the case of female employees specific age i.e. 30-40 years increases the likelihood of receiving more training compared to females in other age groups.

Literature also shows that gender plays a part in differences in receiving training (Shields, 1998). Ariga and Brunello, (2002) reported that women could be actively discriminated in training provided by organisations. A study by Ng (2005) undertaken in China found that female employees received less training compared to male employees, which is mainly because males were older and occupied more senior positions as managers and professionals. Other researchers such as Kabeer et al, (2007) reported gender biases in training that led to men and women into gender stereotyped training opportunities in developing countries. In addition, Kabeer (2012) reported that female employees get less training opportunities compared to men in some countries. Therefore,

emphasis on continuous learning and training of women has been suggested (Tlaiss and Dirani, 2015).

3.2.2 Links between IFDI, training and development and economic growth

The vast literature on the new growth theory falls into three broad groups: the early post-Keynesian growth models which emphasise on the role of savings and investment in promoting growth (the Harrod-Domar model and its variants) (Sato, 1964), the neoclassical models which emphasise on technical progress such as the Solow model and its variants (Solow, 1956) and the more recent new growth models such as the new growth theory, which emphasises on the role of knowledge and skills (know how), human capital accumulation and spillovers such as Romer-Lucas models (Romer, 1986; Lucas, 1988).

The new growth theory based models are largely built on the accumulation of knowledge, which to some extent is viewed as a public good. These subsequent endogenous growth models highlight the importance of training in growth theories by arguing that training creates human capital, which directly affects knowledge accumulation and therefore growth in the productivity (Blomstrom and Kokko, 2002). In addition, human capital spillovers could generate sustained growth over the long run, which has been a critical feature of the “New Growth” literature (Lucas, 1988; Robelo, 1991; Gittens and Pilgrim, 2013). Lucas (1988) focused on human capital as a productive input that generates externalities (spillovers) and eliminates decreasing returns of other productive inputs. Thus, investments in knowledge and skills of human capital, through research and development (R&D) and human resource development and training programmes can generate spillovers that prevent diminishing returns to scale for labour such as managers and workers (Romer, 1986).

Among the many possible openness and growth links between IFDI and new growth theory, the leading challenge is surely knowledge and skills spillovers. There is direct evidence that domestic know-how progress is added by foreign progress (Baldwin, Braconier and Forslid, 2005). For example, domestic productivity growth is mainly related to foreign investment rather than to domestic investment (Eaton and Kortum, 1996).

Of the various knowledge and skills spillovers channels, the most plausible is that of IFDI related knowledge and skills spillovers fostered through FMNE subsidiaries (Baldwin, Braconier and Forslid, 2005). Literature shows that FMNE subsidiaries can:

“Supply a ‘package’ of needed resources including management experience, entrepreneurial abilities, and knowledge and skills which can then be transferred to their local counterparts by means of training and development programmes and the process of ‘learning by doing’”

(Todaro, 1985, p. 438).

Therefore, it is unexpected that IFDI is almost entirely absent from theoretical and empirical work on the link between overall openness and economic growth such as human capital development (Baldwin, Braconier and Forslid, 2005). This neglect is serious for two reasons:

(a) Without formal modelling of IFDI and growth links such as human capital development, it is not possible to know what sorts and forms of IFDI-linked spillovers are logically consistent with steady state growth in the host country (Baldwin, Braconier and Forslid, 2005).

(b) Policymakers strongly believe that IFDI is good for growth and act on these beliefs, signing international agreements to encourage IFDI as a way for human

capital development which will reflect on economic growth (Baldwin, Braconier and Forslid, 2005).

The theoretical approach of endogenous growth theory (see, Romer, 1990; Lucas, 1988) demonstrates that IFDI contributes to the economic growth in host countries by increasing the capital stock and spillovers (OECD, 2001) and IFDI spillovers increase the knowledge and skills in host countries (Li and Liu, 2005). Specifically, the new growth theory, which is also known as the endogenous economic growth theory (Cortright, 2001) predicts that FMNE subsidiaries and IFDI benefit host developed countries more than host developing countries. In addition, based on the new growth theory, IFDI may substitute domestic investment and crowd out local organisations (negative spillovers) in many developing countries (OECD, 2001; Aitken and Harrison, 1999).

Many of the growth promoting factors identified by new growth theory can be initiated and nurtured to promote growth through IFDI, which has long been recognised as a major source of know-how in developing countries. Indeed, the ability of IFDI to transfer not only production know-how but also management skills distinguishes it from all other forms of investment. Spillover impacts have also been recognised as a major benefit accruing to host countries from IFDI (Shaw, 1992).

Most of developing countries are endowed with a relatively low volume of human capital because of differences in the initial endowments of human capital between the developed and developing countries, this gap in knowledge and skills can be bridged through IFDI. (Balasubramanyam, Salisu, and Sapsford, 1996). For example, the knowledge and skills created in developed countries with their relatively high endowments of human capital can be transferred to developing countries through IFDI through FMNE subsidiaries, which can also undertake some investment in the knowledge and skills development in

the host developing countries (Balasubramanyam, Salisu, and Sapsford, 1996). The knowledge and skills could spillover from FMNE subsidiaries to the local organisations through the human resource development and training programmes of local managers (Blomstrom and Kokko, 1997; Huang, 2001; Sousa, 2001; Dowling and Welch, 2004; Görg et al., 2007; Bhaumik and Dimova, 2013) and then through the local managers' mobility to local organisations. Moreover, the very presence of FMNE subsidiaries in the economy, with their superior endowments of knowledge and skills, may require locally owned organisations to invest in learning to keep abreast of the competition.

In summary, imported knowledge and skills enhance the marginal productivity of the capital stock in the host countries and thereby promote growth (Wang and Blomstrom, 1992). New growth theory, therefore, provides powerful support for the thesis that IFDI could be a potential factor in enhancing human capital development in developing countries (Balasubramanyam, Salisu and Sapsford, 1996).

3.3 Impacts of IFDI on Human Capital Development in Developing Countries

Developing countries have received a considerable IFDI over the last three decades (Mohanty, 2012; UNCTAD, 2017), which could have important impacts on the IFDI recipient developing countries (Shahmoradi and Baghbanyan, 2011; Sonmez, 2013; Bruno and Campos, 2013; Jude and Levieuge, 2015). From the perspective of IFDI impacts, IFDI in developing countries could be termed as either 'good IFDI' with positive impacts or a 'bad IFDI' with negative impacts depending on the outcomes that could be either good or bad from the host country's perspective.

3.3.1 Positive impacts of IFDI

Arguments in favour of IFDI being good for developing countries include many positive impacts of IFDI in the host countries (Table 3-5). For example, IFDI recently became an

important part of the local economy and a source of supply of a significant financial capital, technological knowhow and management expertise (Shahmoradi and Baghbanyan, 2011). In addition, the good IFDI contributes in economic development through “technology transfer” (Sonmez, 2013) and promotes linkages between FMNE subsidiaries and local organisations and markets; hence, the good IFDI connects local economy with the global economy (Kapstein, 2002). Moreover, IFDI is considered as good because of its aggregate gains such as increased productivity and economic growth resulting from the introduction of new processes and know-how, managerial skills, staff training and access to international markets (Sala-I-Martin, 1997; Bruno and Campos, 2013; Jude and Leveuge, 2015).

Literature shows that FMNE subsidiaries bringing the good IFDI in developing countries have engaged in targeted human resource development and training programmes for local labour especially local managers leading to improvement in their knowledge and skills (Blomstrom and Kokko, 1997; Huang, 2001; Sousa, 2001; Dowling and Welch, 2004; Görg et al., 2007; Bhaumik and Dimova, 2013).

Table 3-5 Positive IFDI impacts on Developing countries

Positive impacts	References
Supply of financial capital	Shahmoradi and Baghbanyan, 2011
Technological knowhow	Shahmoradi and Baghbanyan, 2011
Management expertise, managerial skills and better management practices	Shahmoradi and Baghbanyan, 2011(Sala-I-Martin, 1997; Bloom and Van Reenen, 2010; Weber, 2010; Bruno and Campos, 2013; Jude and Leveuge, 2015)
Technology transfer	(Sonmez, 2013)
Economic development	(Sonmez, 2013)
Promotions of linkages between FMNE subsidiaries and local organisations	(Kapstein, 2002).
Development of linkages between FMNE subsidiaries and local markets	(Kapstein, 2002).
Increased productivity	(Kapstein, 2002).

Economic growth	(Sala-I-Martin, 1997; Bruno and Campos, 2013; Jude and Levieuge, 2015).
Introduction of new processes	(Sala-I-Martin, 1997; Bruno and Campos, 2013; Jude and Levieuge, 2015).
Introduction of know-how	(Sala-I-Martin, 1997; Bruno and Campos, 2013; Jude and Levieuge, 2015).
Introduction of managerial skills and better management practices	(Sala-I-Martin, 1997; Bloom and Van Reenen, 2010; Weber, 2010; Bruno and Campos, 2013; Jude and Levieuge, 2015)
Training of local staff / employees	(Sala-I-Martin, 1997; Bruno and Campos, 2013; Jude and Levieuge, 2015).
Access to international markets	(Sala-I-Martin, 1997; Bruno and Campos, 2013; Jude and Levieuge, 2015).
Improvement in the knowledge and skills of local labour and managers through human resource development and training programmes	(Blomstrom and Kokko, 1997; Huang, 2001; Sousa, 2001; Dowling and Welch, 2004; Görg et al., 2007; Bhaumik and Dimova, 2013). (te Velde, 2002) Miyamoto, 2003, 2008).
Improvement in the human capital level	(Fosfuri, Motta and Ronde, 2001) (te Velde, 2002) Miyamoto, 2003, 2008).
Increase in the availability and supply of good quality, skilled and appropriately trained workforce	(te Velde, 2002).
Economic development	(Nkechi and Okezie, 2013)
Help in attracting more IFDI	(Borensztein, Gregorio and Lee, 1998; Shen and Darby, 2006; Kottaridi and Stengos, 2010).
Increasing demand for highly qualified personnel thereby breaking up of local monopolies and factor markets	(Blomstrom and Kokko, 2002).
Creation of new job opportunities	(Kinda, 2010)

Source: Researcher.

Thus, the good IFDI positively contributes in local human capital development in host developing countries via FMNE subsidiaries' human resource development and training programmes for local managers and workers as well as bringing and developing new skills, information and technology (te Velde, 2002; Miyamoto, 2003, 2008).

Consequently, good IFDI through FMNE subsidiaries can contribute in enhancing the human capital level in host countries (Fosfuri, Motta and Ronde, 2001) and thus increase

the availability and supply of good quality, skilled and appropriately trained workforce (te Velde, 2002). Hence, a high level of local human capital development could have a significant impact on economic development in the host developing country (Nkechi and Okezie, 2013) and it can help in attracting more IFDI especially in developing countries (Borensztein, Gregorio and Lee, 1998; Shen and Darby, 2006; Kottaridi and Stengos, 2010).

3.3.2 Negative impacts of IFDI

IFDI has been criticised from the perspective of its impacts on local human capital development in host developing countries. Earlier researchers such as Dowling and Welch (2004) and Bhaumik and Dimova (2013) have argued that IFDI does not benefit to the host developing countries and Narula (2014) has argued that FMNE subsidiaries are mostly resource seeking. Thus, IFDI only benefits to FMNE subsidiaries that exploit the natural resources in host developing countries (Frynas, 2005). In addition, IFDI led human capital development for local managers and workers by FMNE subsidiaries has also been criticised because these programmes actually benefit FMNE subsidiaries through supply of cheap local labour and reduce FMNE subsidiaries' reliance on expensive expatriates (Enderwick, 1993).

Thus, it can be said that IFDI does not always have positive impacts on local human capital in the host developing countries. However, the researcher argues that it seems that there is more literature on the positive impacts of IFDI compared to bad impacts of IFDI on the local human capital development in host developing countries, which needs further research.

3.4 FMNE subsidiaries' human resource development and training in developing countries

This section provides a review of literature on three issues: reasons for, types of and factors affecting FMNE subsidiaries' human resource development and training programmes for local labour in host developing countries.

3.4.1 Reasons for human resource development and training programmes by FMNE Subsidiaries

In developing countries, workforce is generally poor and lacks skills and knowledge that are required by the FMNE subsidiaries (Fischer, 1990; Gachino, 2012). To cope with the skills and knowledge gap in developing countries, host country government as well as FMNE subsidiaries take special measures for improving the skills and knowledge of local labour and managers (Ng, 2005). By recognising training and development as a strategic priority and investment, training programmes for local managers has been given more importance by many organisations including FMNE subsidiaries working in developing countries (Jain and Agrawal, 2005). Consequently, in developing countries, FMNE subsidiaries have established means for effective skills and knowledge and transfer through human resource development and training programmes for their managers, professionals, engineers, scientists and technicians (McPherson and Roche, 1997; Gachino, 2012), which is one of the core objectives of IFDI (Tasng, 2001). Training in FMNE subsidiaries, affects most levels of managers and workers, from simple manufacturing operatives through supervisors, to technically advanced professionals and top-level managers (Blomstrom and Kokko, 1997; Gachino, 2012).

As postulated by the human capital theory, investment in human resource development and training programmes is a joint decision of managers and enterprises. Managers may self-select into training based on what they perceive to be differences in opportunity cost between training and working (Lu and Bjorkman, 1998) while enterprises and

individuals invest in human capital as long as the net present value of the benefits is positive (Shields, 1998). However, the human resource development and training programmes by FMNE subsidiaries need to meet their strategic needs and be relevant to local responsiveness in the host country (McGaughey and De Cieri, 1999). Nevertheless, different types of training involve different levels of cost and the ultimate goal of training is to develop human capital and raise the productivity and transfer knowledge and skills in the host countries. FMNE subsidiaries usually improve competencies of their local labour and managers through human resource development and training programmes organised either internally or externally by other organisations either in the host country or in other countries (Gachino, 2012).

3.4.2 Types of human resource development and training programmes by FMNE Subsidiaries

Human resource development and training programmes by FMNE Subsidiaries can be classified into informal training and formal training such as on-the-job training (a proxy for specific training) and off the-job training (a proxy for general training) (Ng, 2005).

Formal and Informal training

The formal training can take classroom-based forms, which are provided by in-house trainers from FMNE subsidiaries' headquarters or regional operations (Braun and Warner, 2002). However, internal training also takes the form of on-the-job, the use of formal mentoring and coaching systems, and short terms assignments abroad (Zhang, Zhang and Liu, 2007; Gachino, 2012).

Informal training is defined as in-plant instruction or training by supervisors or co-workers (Ng, 2005; Gachino, 2012). This type of training helps trainees in learning some skills but it has criticised for having a very little impact especially on the wages (Bowers and Swaim, 1994).

On-the-job and off-the-job training

There are three categories of on-the-job training i.e. on-site formal, off-site formal and off-site informal training provided by FMNE subsidiaries in host developing countries (te Velde, 2002; Ng, 2005; Zhang, Zhang and Liu, 2007; Gachino, 2012). On-site formal training is defined as the formal classroom instruction and courses provided by either enterprise or outside trainers (Ng, 2005). The outside training has been defined as sending of managers outside of the enterprise to take courses at universities, technical institutes or training centres. (te Velde, 2002; Ng, 2005). Additionally, the sources of outside formal training are diverse and comprise mainly two trends i.e. managers or workers who receive external training are trained in the “non-formal” institutions, which provide general education; and those who are sent to universities and institutes, which can be in the host country or in a foreign country (Zeufack, 1998; Gachino, 2012).

On-the-job-training includes coaching and mentoring provided at the workplace in which a manager is given an opportunity to learn on a one-to-one basis from an experienced member of the organisation (Thang and Quang, 2007). On-the-job training appears to be for specific skill while off-the-job training may be more general in the nature (Ng, 2005). Employers provide in-house training to their managers and workers to meet workplace challenges faced on a daily basis (Tan and Batra, 1995). In developing countries, FMNE subsidiaries heavily rely on “On-the job training” for responding to the skill shortage by offering their managers and workers on-the-job training in specific skills (Zeufack, 1998; Gachino, 2012).

Many FMNE subsidiaries encourage their managers, including professionals and technical managers, to attend short courses relevant to the enterprise’s needs (Thang and Quang, 2007). For example, FMNE subsidiaries can train production managers on the job; professional managers get more training that is formal and they are sent to attend

international training courses using the international networks of the parent organisation (te Velde, 2002). Literature reveals that workers with low education levels receive off-the-job training for upgrading their basic skills and improving their capabilities to meet job requirements but for those with higher education levels such as professionals and managers, off the- job training could be a way of enhancing their knowledge of particular aspects of their jobs or remedying skill deficiencies (Ng, 2005).

Formal training of local managers in FMNE subsidiaries

Many FMNE subsidiaries encourage local managers to obtain training at external institutions, both local and overseas (Gachino, 2012), and in most cases FMNE subsidiaries pay for their training (Blomstrom and Kokko, 2003). In addition, in developing countries, training provided by FMNE subsidiaries is perceived more important compared to that provided by local organisations; hence, managers and professionals tend to undergo more external training programmes than the domestic training (Zhang, Zhang and Liu, 2007). However, training of managers could face multiple obstacles such as low priority given to the training function in the organisation (Blackburn and Hankinson, 1989), which could be due to various reasons such as considering training as an expense rather than an investment.

In summary, skills and knowledge transfer through FMNE subsidiaries is one of the core objective of IFDI in developing countries (Balasubramanyam, Salisu and Sapsford, 1996; Tasng, 2001) where skills gaps usually persist from the FMNE subsidiaries' perspectives (Gachino, 2012). FMNE subsidiaries provide different types of human resource development and training programmes involving formal (on job and off job) and informal training for their local labour and managers for improving the overall organisational performance (Tan and Batra, 1995; Zeufack, 1998; Braun and Warner, 2002; te Velde, 2002; Blomstrom and Kokko, 2003; Ng, 2005; Thang and Quang, 2007;

Zhang, Zhang and Liu, 2007). Larger FMNE subsidiary offer more training and take the advantage of economies of scale (Felstead and Green, 1996; Arulampalam and Booth, 1997; Zeufack, 1998; Goux and Maurin, 2000; Smith, 2000; Smoorenburg and Velden, 2000; Ng, 2005). FMNE subsidiaries' human resource development and training programmes help local managers in improving their knowledge in managing sophisticated technology, promoting knowledge and skills and developing competencies (Fischer, 1990; Blomstrom and Kokko, 1997; McPherson and Roche, 1997; Lu and Bjorkman, 1998; Shields, 1998; McGaughey and De Cieri, 1999; Lion, 2001; Jain and Agrawal, 2005; Ng, 2005; Zhang, Cantwell and Jiang, 2014; Ha and Giroud, 2015). Nevertheless, training and development for local workers and managers provided by FMNE subsidiaries in developing countries could be affected by a number of factors, which are described below.

3.4.3 Factors affecting human resource development and training programmes by FMNE Subsidiaries

From the human capital development perspective, human resource development and training programmes are important because they are a means to improve the overall performance of organisations (Jacobs and Washington, 2003). In addition, these programmes are aimed at empowerment and development of local labour and managers through development of their skills and knowledge (Lion, 2001).

Most FMNE subsidiaries provide T&D programmes to their staff including local managers, professionals, engineers, scientists and technicians but the nature, duration and type of training vary depending on the industry, mode of entry, size and time, horizon of investment, type of operations and local conditions (Gachino, 2012). In addition, the level of general and cognitive skills of local managers in a host developing country are particularly important determinants of the amount of training provided by

FMNE subsidiaries because a relatively high level of education reduces the cost of further training and raises the expected benefits (Blomstrom and Kokko, 2002).

MNEs spend more on training in their subsidiaries in developing countries than do local organisations but the differential varies according to size, industry, entry strategy and motivation for the investment (UNCTAD, 1994). However, decisions involved in whether to offer training, where to provide training, what to include in training, and who to train are complex, and often are based on several factors (Snower, 1994; Gachino, 2012). For example, the education level of managers is the key factor that determines whether training should be provided. In addition, the ratio between costs and benefits of training is more favourable for people with higher education level, which from the perspective of both employers and employees such as managers means a higher probability of training for people with greater learning ability (Snower, 1994). This is because the ratio between costs and benefits of training is more favourable for people with higher education levels (Blunch and Castro, 2005). The higher return on training for people with greater learning abilities implies that training should be largely provided to the top level of workforce within an organisation (e.g. management and professional staff); while low ranking workers (e.g. production line workers) with low levels of education get caught in a cycle of low or no training, or the “low-skill, bad-job” trap (Blunch and Castro, 2005).

However, the correlation between education and training is not simple in some developing countries. For example, a negative relationship between education levels and human resource development and training programmes has been observed in Indonesia (Tan and Batra, 1995) whereas a strong relationship between education level and training likelihood has been reported from Thailand (Zeufack, 1998). Nevertheless, managers and

professionals with higher education levels are more likely to receive training compared to junior staff in the organisational structure (Zheng, Hyland and Soosay, 2007).

In addition, the size of FMNE subsidiaries is a major factor that exerts a positive effect on the type of training provided to managers and workers at their subsidiaries in host developing countries (Goux and Maurin, 2000). The larger FMNE subsidiaries provide more work-related training and offer more training to their managers to take the advantage of economies of scale (Smith, 2000; Ng, 2005) whereas the smaller FMNE subsidiaries are cost-consciousness, low risk-taking and have shorter or uncertain planning horizons; hence, they are less likely to capture the returns on training (Oi, 1993; Szamosi, Duxbury and Higgins, 2004).

While training practices vary much between industry sectors and between FMNE subsidiaries, more formal and structured training practices are very likely to be found in larger FMNE subsidiaries than in small to medium sized enterprises (Smith, 2000). Additionally, compared to smaller FMNE subsidiaries, the larger FMNE subsidiaries are more forward looking and better prepared to take risks such as in providing training to a large pool of managers; thus, they benefit from the economies of scale and they have lower cost of training for both internal (in-enterprise) training usually spread over a larger number of trainees, and for externally provided training they get special discounts based on the large quantity (Arulampalam and Booth, 1997).

Moreover, larger FMNE subsidiaries are also often subject to more regulations and bureaucracy; therefore, they offer more training to meet their requirements (Felstead and Green, 1996) and fill the skills and knowledge gaps of their local managers and workers (Gachino, 2012). Consequently, large FMNE subsidiaries attract and keep high level of skilled staff not only by paying them more but also providing more training to them

(Zeufack, 1998), which could lead to spillovers in host developing countries as discussed in the following section.

3.5 IFDI spillovers in developing countries

The term ‘spillover’ has been defined as “a situation that starts in one place but then begins to happen or have an effect somewhere else” (Collinsdictionary.com, 2016). In relation to a technology support, a spillover refers to “the indirect benefits (positive impacts) earned by businesses because of the technology support to a business undertaking the initial activity (the primary beneficiary)” (Medhurst et al., 2018). Thus, an IFDI spillover refers to an externality or indirect effect on local organisations due to IFDI in host countries (Hale and Xu, 2016).

However, in this thesis, the term spillover due to IFDI in the context of a host developing country is defined as “externalities or effects of IFDI spreading to further than was originally intended generated as a result of IFDI in one sector in the host country” (Lucas, 1988). The definition of spillover by Lucas (1988) is selected because it is more clear and relevant to IFDI in developing countries than the other definitions given in the literature.

IFDI results in two types of impacts i.e. direct impacts and indirect impacts in host countries, (Girma et al., 2015; Hale and Xu, 2016). The direct impacts of IFDI include supply of financial capital to the host countries (UNCTAD, 2017, p. 12-13) and positive impacts on local labour market such as increased employment, higher wages and higher productivity (Hale and Xu, 2016).

The indirect impacts of IFDI, also known as spillovers or externalities (Newman et al, 2015; Hale and Xu, 2016) come in many forms (Fosfuri, Motta and Ronde, 2001; Leshner and Miroudot, 2008). In addition, indirect impacts or spillovers of IFDI could be

positive, negative or neutral, which refer to positive, negative or neutral impacts respectively on the host countries (Carkovic and Levine, 2002; Cook, 2008).

3.5.1 Positive IFDI spillovers

In developing countries, the positive IFDI spillovers include supply of technology (technological spillovers) (Blomstrom and Kokko, 1998; Leshner and Miroudot, 2008; Jude, 2016; Cui, Chen and Chang, 2017; Amoroso and Müller, 2018), transfer of human skills and knowledge (knowledge spillovers) (Kim and Park, 2017; Ali, Cantner, and Roy, 2016; Foster-McGregor and Pöschl, 2016), improvement in local human capital (human capital spillovers) (Leshner and Miroudot, 2008), labour market spillovers such as increased productivity (productivity spillovers) (Gachino, 2017; Sari, Khalifah, and Suyanto, 2016; Hale and Xu, 2016), transfer of working methods (Leshner and Miroudot, 2008), improvement in management practices (Ruane and Ugar, 2005) and increase in wages in local organisations (Strobl and Walsh, 2002; Martins, 2005; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Poole, 2013; Hijzen et al., 2013; Hale and Xu, 2016; Perri and Peruffo, 2016; Sharma, 2018).

The positive IFDI spillovers are beneficial for the host country (Fosfuri, Motta and Ronde, 2001) because they are beneficial not only for the local economy (Kapstein, 2002) and local organisations (Spencer, 2008; Ghauri and Firth, 2011), mostly in the same industry (Lu et al., 2017), but also, they go beyond the host country and have positive impacts such as higher growth rate (Mathur, 1999) and increased productivity at the regional level (Girma, Greenaway and Wakelin, 2001). In addition, IFDI in developing countries with scarce skilled labour results in increased demand for skilled labour; thus, affecting the local labour market that could lead to higher overall demand for skilled labour, increase in wages of skilled labour and higher productivity (Hale and Xu, 2016).

Productivity spillovers can take place through four channels: demonstration effects, labour movement (labour turnover), competition effects and market access spillovers (export externalities) (Gerschewski, 2013). A recent meta-analysis of empirical literature on the effects of IFDI on local labour markets in developed and developing countries by Hale and Xu (2016) has shown that IFDI results in positive effects on the productivity and total employment in developing countries and higher wages in host developing and developed countries. The same meta-analysis also identified that there were no studies that investigated IFDI spillover impacts on employment and productivity in developing countries and reported that there were very few studies (such as Hijzen et al. (2013) that investigated spillovers impacts on wages in host developing countries (Hale and Xu, 2016). These findings suggest that there is a need to studying IFDI spillovers on local human capital development in developing countries.

The literature on IFDI spillovers reveals that FMNE subsidiaries in host developing countries create their own human resource development and training programmes for increasing the skills and knowledge of local managers (Blomström and Kokko, 2002, 2003; Spencer, 2008), which result in spillover impacts in the domestic economy of the host developing countries when these FMNE subsidiaries trained local managers' move from FMNE subsidiaries to local organisations (Blomstrom, 1991, Blomström and Kokko, 1997; Kapstein, 2002; Rosenkopf and Almeida, 2003; Spencer, 2008). IFDI led positive spillovers to local organisations in the host developing countries have been collectively referred to as the agglomeration effect that generally results from knowledge spillovers and pooling of trained managers and workers (Lu et al., 2017).

A recent systematic literature review by Gerschewski (2013) has shown that IFDI spillovers are positive for intra-industry local organisations through linkages between

FMNE subsidiaries and suppliers in different industry sectors due to transfer of skills and knowledge from FMNE subsidiaries.

Thus, it can be argued that to reap from IFDI spillovers, it is essential for local organisations to have a higher absorptive capacity (Cohen and Levinthal, 1989), which requires local organisation's technological capabilities and the ability to identify, assimilate and exploit skills and knowledge from the IFDI led environment (Cohen and Levinthal, 1989: 569). Hence, it can be said that the absorptive capacity of local organisation is a precondition for successfully benefiting from FDI spillovers (Crespo and Fontour, 2007), which means IFDI spillovers cannot be exploited merely due to the presence of FMNE subsidiaries (Wang and Blomström, 1992), but they depend on many factors such as the absorptive capacity of local organisations, the spillover potential of FMNE subsidiaries and the institutional framework of the host developing country (Farole and Winkler, 2014).

Nevertheless, local organisations' absorptive capacity to benefit from IFDI spillovers depends on various factors such as the technological gap between local organisations and FMNE subsidiaries, skilled labour in the local organisation (Girma et al., 2001 cited by Cook, 2008), the size of local organisation, the location and proximity of local organisations and exporting levels of local organisations (Farole and Winkler, 2014) as well as the competition level between FMNE subsidiaries and local organisations (Girma et al., 2001 cited by Cook, 2008).

Regarding the impact of technological gap between local organisations and FMNE subsidiaries on benefiting from IFDI spillovers, the research community is divided. Some researchers have argued that the higher the technological gap between the local organisation and FMNE subsidiaries the better for the local organisations to benefit from IFDI spillovers (Findlay 1978; Wang and Blomström 1992; Smeets 2008 cited by Farole

and Winkler, 2014). Conversely, researchers such as Blalock and Gertler (2009) have argued that neither too big nor too little technological gap between local organisations and FMNE subsidiaries is beneficial for the local organisations to benefit from IFDI spillovers. However, the technological gap between the local organisations and FMNE subsidiaries have been reported as a significant factor that affects IFDI spillovers to local organisations (Grünfeld 2006; Farole and Winkler, 2014).

The proportion of skilled labour in the local organisation is also an important factor in benefiting from IFDI spillovers (Farole and Winkler, 2014). However, the literature is divided on this issue also. Some studies have shown that there is a positive association between highly skilled labour and IFDI spillovers (Blalock and Gertler, 2009), while other studies have reported that only small local organisations with a highly skilled labour benefit from IFDI spillovers (Girma and Wakelin, 2007). Conversely, a study by Sinani and Meyer (2004) found that local organisations with a higher proportion of skilled labour benefit less from IFDI spillovers.

Therefore, local organisations in developing countries must invest in their research and development to increase their absorptive capacity to benefit from positive spillovers of IFDI (Kathuria, 2000; 2008), particularly in developing countries (Meyer and Sinani, 2009). This has been confirmed by many empirical studies from developing countries such as India (Kathuria, 2000, 2008; Marin and Sasidharan, 2010; Sarkar and Lai, 2010), South Korea (Kim, 2015) and China (Liu and Buck, 2007; Zhang et al., 2010). However, these factors affecting spillovers have been investigated in relation to productivity in specific sectors such as the manufacturing sector (Farole and Winkler, 2014).

Regarding the effect of the size of local organisation on benefiting from IFDI spillovers, researchers are again divided. Researchers like Aitken and Harrison (1999) reported that small local organisations benefit more from IFDI spillover but Sinani and Meyer (2004)

and Girma and Wakelin (2007) reported that only those small local organisations that have a higher proportion of skilled labour benefit more from IFDI spillovers. Conversely, researchers such as Crespo and Fontoura (2007) reported that large local organisations benefit more from IFDI spillovers in developing countries, which is contrary to the findings of a study by Girma and Wakelin (2007) who found that large local organisations did not benefit more than small organisations from IFDI spillovers. These findings suggest that the association between the size of local organisations benefiting from IFDI spillovers is contextual and depends on whether the host country is a developed country or a developing country.

The literature on IFDI spillovers shows that the location of local organisations in relation to the FMNE subsidiaries also an important factor in affecting IFDI spillovers (Farole and Winker, 2014). For examples, researchers like Girma and Wakelin (2007) and Resmini and Nicolini (2007) found that the close geographical proximity between a local organisation and a FMNE subsidiary has a positive effect on benefiting from IFDI spillovers. Whereas researchers such as Abraham et al. (2010) reported that the location of both local organisations and FMNE subsidiaries at the same place such as an exclusive export processing zone / site in a host country has a negative effect on local organisations in benefiting from IFDI spillovers due to the competition effect. In addition, researchers like Barrios, Luisito, and Strobl (2006) reported that collocating (agglomeration) of FMNE subsidiaries in the same region and in the same sector has a positive impact on local organisations in benefiting from IFDI Spillovers. However, these findings are against the finding of other researchers who found similar results at the national / county level but negative spillovers at the region level and sector level (Aitken and Harrison, 1999; Sjöholm, 1999; Yudaeva et al., 2003).

local organisation's absorptive capacity is an important factor in benefiting from IFDI spillovers in developing countries (Meyer and Sinani, 2009) but the local organisations need to have highly skilled managers and workers (Sinani and Meyer, 2004; Farole and Winkler, 2014), which is a productive input that helps in generating and benefiting from spillovers (Lucas, 1988). Nevertheless, local organisations can meet their requirements of highly skilled labour through employing FMNE trained local managers and workers who can move from FMNE subsidiaries to local organisations.

3.5.2 Negative IFDI spillovers

The literature suggests that IFDI does not always produce positive spillovers but it can lead to negative spillovers (Gerschewski, 2013; Lu et al., 2017). For example, FMNE subsidiaries may compel local businesses and organisations decrease their outputs resulting in less productivity (Aitken and Harrison, 1999 cited by Cook, 2008; Hale and Xu, 2016). In addition, due to FMNE subsidiaries competition, local organisations could be crowded out (Aitken and Harrison, 1999; Grima et al., 2001; OECD, 2001; Arnold and Javorcik, 2009; Guadalupe et al., 2012), especially the less efficient local organisations (Cook, 2008), which cannot compete with FMNE subsidiaries that are efficient and more productive compared to local organisations (Aitken and Harrison, 1999; Lu et al., 2017). Thus, these IFDI led negative spillovers to the local organisations have been referred to as the competition effect of IFDI in host countries (Lu et al., 2017). However, the negative spillovers and the competition effect of IFDI in host countries can vary between local organisations. For example, a study from China revealed that the IFDI led competition effect affected more to the non-state owned / private organisations compared to the state owned local organisations due to their better endowment and higher capability of absorbing know-how from FMNE subsidiaries (Lin, Liu, and Zhang, 2009).

In addition, literature shows that the intra-industry (horizontal) spillovers, especially productivity spillovers are negative due to competition between FMNE subsidiaries and local organisations in the same industry and because of low absorptive capacity of local organisations due to their inability to absorb and integrate knowledge of FMNE subsidiaries (Gerschewski, 2013).

Literature also shows that the bad IFDI in developing countries is mainly resource and markets seeking (Narula, 2014), exploits only the natural resources (Frynas, 2005) and acquires ownership of businesses in the host country and transfers of material or intangible assets from one country in to another country for producing wealth (Nolan, 1998). In addition, FMNE subsidiaries have been accused for crowding out of local organisations and cherry-picking behaviour in acquiring businesses and resources in the host countries (Arnold and Javorcik, 2009; Guadalupe et al., 2012). FMNE subsidiaries also fail to meet their social corporate responsibilities in host developing countries (Frynas, 2005). Moreover, IFDI led FMNE subsidiaries' human resource development and training programmes for local managers and workers have been criticised because these programmes actually benefit FMNE subsidiaries through supply of cheap local labour and reduce FMNE subsidiaries' reliance on expatriates who are usually expensive compared to the local labour (Enderwick, 1993). Thus, IFDI spillovers on local human capital development has been criticised and IFDI has been called as bad IFDI because it mainly benefits FMNE subsidiaries rather than benefiting the host developing country (Dowling and Welch, 2004; Bhaumik and Dimova, 2013).

It is thus argued that IFDI has positive and negative impacts on the host countries. Nevertheless, impacts of IFDI mostly depend on the absorptive capacity of the host country and local organisations (Kinda, 2010). These findings may suggest that

developing countries that are rich economies should encourage and focus on the good IFDI rather than on the bad IFDI to fully benefit from IFDI but its spillovers.

3.5.3 Reasons, spillovers and impacts of manager mobility to local organisations

In developing countries, mobility of local managers from FMNE subsidiaries to local organisations is a channel of IFDI spillovers (Meyer, 2004). Literature shows that FMNE subsidiaries that engage in IFDI in developing countries create their own human resource development and training programmes for increasing the knowledge and skills of local managers (Blomström and Kokko, 2002, 2003; Spencer, 2008), which in turn generate spillover impacts in the host developing countries when these local managers leave FMNE subsidiaries and join local organisations (Blomstrom, 1991, Blomström and Kokko, 1997; Kapstein, 2002; Rosenkopf and Almeida, 2003; Spencer, 2008). Thereby, acquired skills can increase the skills stock in the local organisations, which results in enhanced local human capital (Gorg and Strobl, 2005) and increased productivity in local organisations (Gerschewski, 2013). The literature shows that local managers benefit from FMNE subsidiaries' human resource development and training programmes and their mobility helps them in their career development and increase in wages (Hjalager, 2003), which in developing countries becomes more visible as explained below.

Career development

FMNE subsidiaries; human resource development and training programmes help local managers in their career development when they move to local organisations where they secure positions far more senior than those they left at FMNE subsidiaries (Sauvant, Mallampally and Economou, 1993; Pesola, 2007; Gachino, 2012). IFDI thus provides local managers better chances for career development and upward mobility within the FMNE subsidiaries and within other organisations locally and overseas (Sauvant, Mallampally and Economou, 1993; Gachino, 2012).

Enhancement in wages (Disposable income)

In developing countries, FMNE subsidiaries trained local managers' mobility can have pecuniary spillovers on to them through different ways. For example, FMNE subsidiaries could pay higher wages to the trained local managers to prevent them from moving to local organisations / competitors (Fosfuri, Motta and Ronde, 2001; Pesola, 2007; Spencer, 2008). In addition, FMNE subsidiaries could pay according to the managers' marginal productivity and increase wages after training participation based on the share of their actual performance increase (De Grip and Sauermann, 2013), which is reflected in the higher productivity (Asli, Behname, and Noormohamadi, 2012). Thus, FMNE subsidiaries' human resource development and training programmes may exert a positive spillover impact on the wages of local managers from the current FMNE subsidiary employer (Booth, 1993). In addition, one of the most important reasons and impacts of FMNE subsidiaries trained local managers' mobility to local organisations is increase in the wages (Fosfuri, Motta and Ronde, 2001; Blomström and Kokko, 2002; Kapstein, 2002; Slaughter, 2002; Lipsey and Sjöholm, 2004; Görg and Strobl, 2005; Spencer, 2008; Asli, Behname, and Noormohamadi 2012; Gachino, 2012; Wang, Wong and Granato, 2013; De Grip and Sauermann, 2013).

However, mixed results about the impacts of different types of training on wages have been reported in the literature. For example, increase in the wages of managers who received on-the-job training (Ng, 2005) and the informal training results in small percentage increase in the wages (Bowers and Swaim, 1994). These findings suggest that differences in the impact of training on wages could arise from possible unobserved differences in the intensity, duration, content and type of the training (Loewenstein and Spletzer, 1999a; Gachino, 2012).

In summary, reasons of the mobility of local managers who work for and are trained by FMNE subsidiaries and then move to local organisations and foreign organisations in the host country include increase in wages (Fosfuria, Mottac and Rondee, 2001; Martins, 2005; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Gachino, 2012; Poole, 2013; Perri and Peruffo, 2016) and progress in career development (Sauvant, Mallampally and Economou, 1993; Pesola, 2007; Gachino, 2012). Nevertheless, there could be additional reasons leading to local managers' mobility from FMNE subsidiaries to local organisations in developing countries, which need to be empirically studied.

Transfer of skills and knowledge

IFDI is a particular form of investment that leads to establishment of FMNE subsidiaries in host countries but under the management of parent enterprises in home countries. IFDI often results in externalities or spillovers in host countries (Balasubramanyam, Salisu and Sapsford, 1996), which come in many forms such as transfer of technologies, working methods, and knowledge and skills transfer but they have one thing in common i.e. they improve the human capital (Leshner and Miroudot, 2008); thus, host countries benefit from IFDI led human capital spillovers (Fosfuri, Motta and Ronde, 2001).

The earliest literature on spillover impacts of FMNE subsidiaries' human resource development and training programmes dates to early 1960s (MacDougall, 1960). The earliest literature on IFDI spillover impacts looked in to non-human capital related factors such as impacts of IFDI on the optimum tariff policy (Corden, 1967) and industrial pattern and welfare impacts of IFDI (Caves, 1971). However, evidence on IFDI spillovers on human capital such as impacts of FMNE subsidiaries' human resource development and training programmes comes from studies undertaken mainly in developing countries where public education systems are relatively weaker compared to developed countries (Blomstrom and Kokko, 1997). In developing countries, FMNE

subsidiaries improve the knowledge and skills of local labour, mainly local managers, through human resource development and training programmes (Spencer, 2008) and spillover impacts go beyond FMNE subsidiaries (Kapstein, 2002) to local organisations through the mobility of skilled labour including local managers (UNCTAD, 1999; Spencer, 2008).

IFDI spillovers from FMNE subsidiaries to local organisations occur through four major mechanisms i.e. demonstration effect, forward and backward linkages, competitive pressure (competition) and labour mobility (Blomström and Sjöholm, 1999; Buckley *et al.*, 2002; Spencer, 2008; Gerschewski, 2013). Out of these four mechanisms of IFDI spillovers, the labour mobility from FMNE subsidiaries to local organisations in host countries, which is also known as “managers’ mobility” (Balsvik, 2011), results in the diffusion of knowledge and skills (Blomström and Kokko, 1997, 2002; Kapstein, 2002; Görg and Greenaway, 2004; Leshner and Miroudot, 2008; Spencer, 2008).

Thus, FMNE subsidiaries through their human resource development and training programmes contribute in human capital development in developing countries (Slaughter, 2002; Blomstrom and Kokko, 2003). However, at present very little is known about following issues (a) human resource development and training programmes that FMNE subsidiaries provide in developing countries, (b) reasons of mobility of local labour especially skilled local managers’ mobility from FMNE subsidiaries to local organisations, (c) spillovers of trained local managers’ mobility and (d) human capital related impacts on local organisations in host developing countries.

Impacts of IFDI Spillovers on local organisations

Local managers’ mobility from FMNE subsidiaries to local organisations can result in different impacts on local organisations, which mainly include increase in productivity,

transfer and upgrading of management skills, and availability of intrapreneurial skills as described below.

Increased productivity

Literature shows that the majority of local managers receive training while working for FMNE subsidiaries (Blomström and Kokko 2002; Gachino, 2012). When these local managers move from FMNE subsidiaries to local organisations, they apply specialised knowledge and skills acquired at FMNE subsidiaries resulting in spillover impacts (Gerschenberg, 1987; Gachino, 2012). For example, improvement in performance and increased productivity (Meyer, 2004; Gorg and Strobl, 2005; Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Hakkala and Sembenelli, 2012; Gerschewski, 2013; Mariotti et al., 2015).

Upgrading of management skills

In developing countries, FMNE subsidiaries often train local staff mainly local managers (Katz, 1987; Gachino, 2012). When these trained local managers move from FMNE subsidiaries to local organisations they bring with them management skills and knowledge (Fosfuri, Motta and Ronde, 2001; Slaughter, 2002; Blomström and Kokko, 2002, 2003; Meyer, 2004; Gorg and Strobl, 2005; Pesola, 2007; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Spencer, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013), which results in transfer and upgrading of management skills in local organisations (Perri and Peruffo, 2016).

Availability of intrapreneurial skills

Literature reveals that in developing countries, FMNE subsidiaries' based work experience and human resource development and training programmes may be a valuable source of gaining new knowledge and skills that not only introduces new ideas but also strengthens the human capital base needed to apply these ideas to the local

economy (Blomstrom and Kokko, 2003). Thus, when FMNE subsidiaries trained local managers' move to local organisations, they transfer and apply their intrapreneurial skills in local organisations in developing countries (Fosfurria, Mottac and Rondee, 2001; Meyer, 2004; Miyamoto, 2003, 2008).

In summary, local managers' mobility from FMNE subsidiaries to local organisations in developing countries results in spillover impacts on local organisations that include increased productivity (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015), transfer and upgrading of management skills and knowledge (Slaughter, 2002; Blomström and Kokko, 2002, 2003; Meyer, 2004; Gorg and Strobl, 2005; Pesola, 2007; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016) and transfer, availability and application of intrapreneurial skills (Fosfurria, Mottac and Rondee, 2001; Meyer, 2004; Miyamoto, 2003, 2008; Gachino, 2012). However, local managers' mobility from FMNE subsidiaries might have other types of spillover impacts on local organisations in developing countries, which need to be empirically investigated.

3.6 Existing empirical research into IFDI-related spillovers

A review of literature on IFDI spillovers in developing countries undertaken by the researcher showed that earlier researchers used different research designs, data types and data analysis techniques in studying IFDI spillovers in developing countries (Appendix 3). Empirical studies on human skills and knowledge spillovers in developing countries showed that earlier studies were mainly cross-sectional studies (Cui, Chen, and Chang, 2017; Kim and Park, 2017; Elezi and Bamber, 2016; Kang, 2016; Edrak et al., 2014; Liu, Lu and Zhang, 2014; Stoyanov and Zubanov, 2014; Poole, 2013, Becheikh, 2013; Zhao and Zhang, 2010; Kesidou and Szirmai, 2008; Görg and Strobl, 2005; Vera-Cruz and

Dutrénit, 2005). Researcher did not find any longitudinal study on skills and knowledge spillovers in developing countries.

The review of empirical literature (Appendix 3) also revealed that a few earlier studies on human skills and knowledge spillovers involved the case study design (Jaguli, Malek, and Palil, 2014; Gachino, 2012; Kesidou and Szirmai, 2008) whilst most of the earlier studies used secondary data (Kang, 2016; Liu, Lu and Zhang, 2014; Zhao and Zhang, 2010; Görg and Strobl, 2005; Vera-Cruz and Dutrénit, 2005).

In addition, most of the earlier studies on IFDI led skills and knowledge transfer related spillovers (Appendix 3) were quantitative studies (Cui, Chen, and Chang, 2017; Kim and Park, 2017; Kang, 2016; Liu, Lu and Zhang, 2014; Poole, 2013; Becheikh, 2013; Zhao and Zhang, 2010; Kesidou and Szirmai, 2008; Görg and Strobl, 2005; Vera-Cruz and Dutrénit, 2005), and there were a very few qualitative studies (Bruhn et al., 2015; Jaguli, Malek, and Palil, 2014; Gachino, 2012) and only one study was a mixed methods study (Edrak et al., 2014).

The quantitative studies on skills and knowledge transfer related IFDI spillovers in developing countries (Appendix 3) mostly used secondary data such as panel data obtained from different sources (Kang, 2016; Liu, Lu and Zhang, 2014; Zhao and Zhang, 2010; Görg and Strobl, 2005; Vera-Cruz and Dutrénit, 2005). A few of the quantitative studies (Appendix 3) collected primary data using questionnaire surveys (Cui, Chen, and Chang, 2017; Kim and Park, 2017; Edrak et al., 2014; Becheikh, 2013).

The data analysis techniques used in quantitative studies on knowledge and skills spillovers in developing countries (Appendix 3) included econometrics techniques such as regression analysis (Kang, 2016; Liu, Lu and Zhang, 2014; Poole, 2013; Zhao and Zhang, 2010; Görg and Strobl, 2005), factor analysis (Kesidou and Szirmai, 2008) and Pearson's r correlations for analysing quantitative data (Edrak et al., 2014).

The review of literature also showed that a few qualitative studies were undertaken by earlier researchers to study human skills and knowledge spillovers in developing countries (Bruhn et al., 2015; Jaguli, Malek, and Palil, 2014; Gachino, 2012). These qualitative studies were case studies that involved collection of qualitative data through semi-structured interviews and qualitative data were analysed using content analysis and thematic analysis countries (Bruhn et al., 2015; Jaguli, Malek, and Palil, 2014; Gachino, 2012).

The review of empirical studies on knowledge and skills spillovers in developing countries (Appendix 3) showed that there was only one study by Becheikh (2013) that was undertaken in Egypt – a country in the Middle East, which involved the manufacturing and services sectors. This study focused on local small and medium-sized enterprises and studied the exposure to external knowledge and technologies and organisations' absorptive capacity and it was a quantitative study based on questionnaire surveys.

Appendix 3 provides further details about spillover types, research methods, data types and data analysis techniques in empirical studies on human capital and knowledge spillovers and other types of spillovers due to IFDI in developing countries.

3.7 Review of Spillover Effects

Although most of the researchers have confirmed spillovers of human skills and knowledge transfer from FMNE subsidiaries to local organisations in developing countries (Gorg and Strobl, 2005; Leshner and Miroudot, 2008; Spencer, 2008), which usually happens due to the mobility of trained local managers and workers from FMNE subsidiaries to local organisations (Gachino, 2012). However, diffusion of human skills and knowledge from FMNE subsidiaries to local organisations in host developing countries has been challenged (Saggi, 2002) based on mixed empirical evidence (Smeets,

2008). FMNE subsidiaries have been criticised for hindering the transfer of skills and knowledge and expertise to local organisations (Al Sewilem, 2012) through blocking the channels of these spillovers i.e. stopping the mobility of local managers and workers from leaving FMNE subsidiaries and joining local organisations by providing them with incentives such as higher wages and promotion (Pesola, 2007; Spencer, 2008; De Grip and Sauermann, 2013). Thus, there are barriers to IFDI led human skills and knowledge transfer to local organisations in developing countries.

In addition, review of the literature on IFDI related spillovers (Appendix 3) shows that IFDI results in both positive and negative impacts on local organisations in developing countries. For example, some researchers have reported positive spillovers (Edrak, Gharleghi, Fah, and Tan, 2014; Cui, Chen, and Chang, 2017), some have reported negative spillover impacts (Belloumi, 2014; Tesfaye, 2015; Dogan, Wong, and Yap, 2017) while other researchers have reported mixed spillovers – both positive and negative spillovers to local organisations in developing countries (Sari, Khalifah, and Suyanto, 2016; Jeon, Park, and Ghauri, 2013; Seyoum, Wu, and Yang, 2015; Kinuthia, 2016). In addition, some researchers have found spillovers in the same sector to be positive in one country and negative in another developing country (Kinuthia, 2016).

Literature also reveals that positive and negative spillovers are determined by the differences in the technological, knowledge and skills level of local organisations (Jeon, Park, and Ghauri, 2013). In addition, the spillovers are determined by some other factors relevant to local firms such as their absorptive capacity – which is positively related to the spillover effects (Jeon, Park, and Ghauri, 2013), the absorptive capacity level of local organisations is also positively related to the spillover effects (Seyoum, Wu, and Yang, 2015) and the type of channel of spillovers (Sari, Khalifah, and Suyanto, 2016) and the size of local organisations also affects the IFDI spillovers (Anwar and Sun, 2015).

It is also noteworthy that spillovers impacts also vary between local organisations depending on whether they are in the same industry / sector or in a different industry / sector. For example, Poole, 2013 reported positive skills and knowledge spillovers in the same industry in the services sector; while Tesfaye (2015) reported negative productivity spillovers in intra-industry local organisations in the manufacturing sector.

Furthermore, spillovers also differ between local organisations based on the location whether they are in the same locality or the same region along with FMNE subsidiaries (Vera-Cruz and Dutrénit, 2005; Kesidou and Szirmai, 2008). These finding suggest that the relationship between IFDI spillovers and their impacts on local organisation in developing countries is complex, which needs further empirical research.

3.8 Assessment of literature review

The literature review presented in this chapter is mainly based on a systematic review of theoretical papers (Appendix 1) and empirical studies (Appendix 2 and 3) published from 2001 to 2018. The reviewed studies were divided in to three categories based on the type of research questions answered. The first category included research studies on FMNE subsidiaries' human resource development and training programmes specifically for local workers and managers. Training programmes included on the job training (specific training), off the job training (general training), seminar training, overseas training and management training (Fosfuri et al, 2001). The second category comprised research studies on how trained local managers' mobility, from FMNE subsidiaries to local organisations, was as a channel for IFDI spillovers in developing countries. The third category included research studies on the reasons and spillovers impacts of FMNE subsidiaries trained local managers' mobility on local organisations and overall impacts of IFDI on human capital development in host developing countries.

The literature review revealed that a great amount of reviewed studies simultaneously incorporated mobility of managers after receiving human resource development and training programmes in FMNE subsidiaries in host countries (Fosfuri, Motta and Ronde, 2001; Slaughter, 2002; Blomström and Kokko, 2002; Kapstein, 2002; Blomström and Kokko, 2003; Meyer, 2004; Görg and Strobl, 2005; Miyamoto, 2003, 2008; Spencer, 2008; Leshner and Miroudot, 2008; Gerschewski, 2013; Perri and Peruffo, 2016). This evidence from the literature review to a large degree confirmed the spillovers of FMNE subsidiaries' human resource development and training programmes via local managers' mobility to local organisations in host developing countries.

The literature review also showed that some of the reviewed studies did not use the term local managers' mobility, but they used other relative terms such as managers' turnover, labour mobility, labour and workers, which involved workers and managers together. However, the central idea was the same and confirmed the spillovers of FMNE subsidiaries' human resource development and training programmes for local managers and their impacts on the human capital development in host developing countries. In addition, literature review revealed that a very few empirical studies focused on the examination of spillovers through local managers' mobility from FMNE subsidiaries to local organisations (Görg and Strobl, 2005; Leshner and Miroudot, 2008; Hakkala and Sembenelli, 2012).

The literature review also revealed that some studies examined the relationship between IFDI and wages in developing countries and reported that IFDI increases wages in developing countries (Spencer, 2008 and Balsvik, 2011). However, these studies did not relate the link between human resource development and training programmes and increase in the wages. Conversely, some researchers reported relationship between on the job training and relative increase in the wages (De Grip and Sauermann, 2013) but they

did not focus on FMNE subsidiaries. The literature review (Appendix 2 and 3) showed that the most of reviewed empirical studies involved firm level secondary data to study spillovers impacts of labour mobility (managers and workers) from FMNE subsidiaries to local organisations. For example, Görg and Strobl (2005) used data collected by the World Bank, Martin (2005) and Balsvik (2011) used annual census data, Bekes, Kleinert and Toubal (2009) analysed firm level data collected by tax authorities, while other researchers used data from different sources (Asli, Behname and Noormohamadi, 2012; Hakkala and Sembenelli, 2012; Fu, 2012; Nkechi and Okezie, 2013; Bhaumik and Dimova, 2013) as shown in Appendix 2 and 3.

The literature review (Appendix 2 and 3) also showed that most of the empirical research on this topic has been mainly quantitative studies (Görg and Strobl, 2005; Martins, 2005; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Bekes, Kleinert and Toubal, 2009; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Hakkala and Sembenelli, 2012). Thus, there was a need for qualitative research on IFDI spillovers (Ghauri and Firth, 2011). In addition, the literature showed that study of the impacts of local managers' mobility from FMNE subsidiaries to local organisations in host developing countries could not be fully understood without empirical research involving mobile local managers and conducting in-depth interviews with them (Gerschewski, 2013). IFDI spillovers are generally measured as impacts on the productivity, know-how and intrapreneurial skills in local organisations in host developing countries where IFDI spillovers signify processes whereby local organisations learn and benefit from FMNE subsidiaries (Zhao and Zhang, 2010).

The review undertaken by the researcher also identified that human capital related IFDI spillovers occur through labour mobility or labour turnover (local managers and workers) from FMNE subsidiaries to local organisations (Gerschenberg, 1987; Meyer, 2004;

Spencer, 2008; Miyamoto, 2003, 2008; Balsvik, 2011; Gerschewski, 2013; Perri and Peruffo, 2016). The literature showed that hiring a local manager who was previously employed by a FMNE subsidiary can create a channel through which competitive information about foreign techniques and technologies flows towards local organisations; thus, their mobility leads to skills and knowledge transfer to local organisations (Gerschenberg, 1987; Meyer, 2004; Balsvik, 2011; Perri and Peruffo, 2016).

Thus, local managers' mobility to local organisations results in diffusion of knowledge and skills such as transfer of management skills (Perri and Peruffo, 2016), transfer of intrapreneurial skills (Gerschwski, 2013) and increase in the productivity (Spencer, 2008; Gerschewski, 2013; Blomstrom and Kokko, 2003). However, despite the long history of academic research work that has enabled the testing of implications of an increasing FMNE subsidiaries' presence on local organisations in host developing countries, the exact mechanisms through which human capital related IFDI spillovers occur is not yet fully understood because there is a limited empirical work on knowledge and skills transfer spillovers in developing countries (Gorg and Strobl, 2005; Pesola, 2007; Poole, 2013), especially from the qualitative perspectives (Ghauri and Firth, 2011; Gerschewski, 2013).

In summary, human capital related spillovers of FMNE subsidiaries' human resource development and training programmes occur through local managers' mobility to local organisations in host developing countries (Katz, 1987; Blomstrom, 1991; Blomstrom and Kokko, 1997; UNCTAD, 1999; Kapstein, 2002; Meyer, 2004; Gorg and Strobl, 2005; Blalock and Gertler, 2008; Spencer, 2008; Balsvik, 2010, 2011). These spillovers result in four types of spillover effects i.e. general welfare effects (MacDougall, 1960; Caves, 1971), technology spillovers (Caves, 1971; Lesher and Miroudot, 2008), working methods spillovers such as diffusion of strategies and operations of FMNE subsidiaries

to local organisations (Kogut and Zander, 1992; Leshner and Miroudot, 2008; Spencer, 2008) and knowledge and skills spillovers such as production expertise, management skills and intrapreneurial skills (Blomstrom, 1991; Balasubramanyam, Salisu and Sapsford, 1996; Blomstrom and Kokko, 1997; UNCTAD, 1999; Kapstein, 2002; Meyer, 2004; Gorg and Strobl, 2005; Leshner and Miroudot, 2008).

Overall, the literature review presented in this chapter revealed that there are five key issues affecting IFDI in developing countries. These issues include the host country environment, FMNE subsidiary human resource development and training programmes for local human capital development, reasons of local managers' mobility from FMNE subsidiaries to local organisations, IFDI led skills and knowledge transfer related spillovers to local organisations and human capital related impacts on to local organisations due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries (Table 3-7). In addition, the findings of the literature review showed that there is a need for further empirical qualitative research to better understand the human capital related spillovers of FMNE subsidiaries' human resource development and training programmes for local managers and the spillover impacts of their mobility on local organisations in developing countries (Ghauri and Firth, 2011; Gerschewski, 2013).

A summary of the most important themes identified in the literature review undertaken by the researcher (Appendix 1, 2 and 3) is presented in Table 3-7, which is given below.

Table 3-6 Summary of the most important themes identified in the literature review

Theme	Factors / Issues	References	
IFDI Host country environment affecting	Market factors e.g. market and population size, cost of local labour, availability and cost of natural resources	Burt, 1997; Javorcik, 2004; Al Sewilem, 2012	
	Legal, Administrative and Institutional factors e.g. level of reforms, laws on books and their enforcement and effectiveness of the legal systems	Javorcik, 2004; Al Sewilem, 2012	
	Trade, Commerce and Custom related factors e.g. level of transparency in economic and investment policies, controls on privatisation, intellectual property rights system, corporate tax rates and trade barriers	Lee and Mansfield, 1996; Sharp and Barz, 1997; Drabek and Payne 1999; Saggi, 2000; Smith, 2001; Javorcik, 2004; Al Sewilem, 2012	
	Social, Cultural, Economic, Political and Religious factors e.g. corruption level and previous investment experience	Hallward-Driemeier, 1996; Javorcik, 2004	
FMNE subsidiaries' human resource development and training programmes for local managers	Effective knowledge and skills transfer through T&D programme - a core objective of IFDI	Tasng, 2001	
	Human resource development and training programmes as a means to improve the overall performance of FMNE subsidiaries	Jacobs and Washington, 2003	
	Human resource development and training programmes aimed at empowerment, development, and qualifying of local managers	Lion, 2001; Slaughter, 2002	
	Human resource development and training programmes for local managers to take the advantage of economies of scale	Felstead and Green, 1996; Arulampalam and Booth, 1997; Zeufack, 1998; Goux and Maurin, 2000; Smith, 2000; Smoorenburg and Velden, 2000; Ng, 2005	
	Human resource development and training programmes for improving knowledge in managing sophisticated technology, promoting knowledge and skills and developing competencies for local managers	Fischer, 1990; Blomstrom and Kokko, 1997; McPherson and Roche, 1997; Lu and Bjorkman, 1998; Shields, 1998; McGaughey and De Cieri, 1999; Jain and Agrawal, 2005; Ng, 2005	
	FMNE subsidiaries provide formal on job and off job training to local managers	Tan and Batra, 1995; Zeufack, 1998; Braun and Warner, 2002; te Velde, 2002; Blomstrom and Kokko, 2003; Ng, 2005; Thang and Quang, 2007; Zhang, Zhang and Liu, 2007	
	Human resource development and training programmes more for managers than other workers	Lu and Bjorkman, 1998; Blunch and Castro, 2005; Jain and Agrawal, 2005; Zheng, Hyland and Soosay, 2007	
Human skills and knowledge spillovers in host countries	Human skills and knowledge spillovers e.g. production expertise, management skills and working methods e.g. diffusion of strategies and operations from FMNE subsidiaries to local organisations Blomstrom, 1991; Kogut and Zander, 1992; Balasubramanyam, Salisu and Sapsford, 1996; Blomstrom and Kokko, 1997; UNCTAD, 1999; Kapstein, 2002; Meyer, 2004; Ruane and Ugar, 2005; Gorg and Strobl, 2005; Leshner and Miroudot, 2008; Spencer, 2008; Ali, Cantner, and Roy, 2016; Foster-McGregor and Pöschl, 2016; Kim and Park, 2017		
Mobility of local managers from FMNE subsidiaries to local organisations	Reasons	Increase in wages (disposable income)	Fosfurria, Mottac and Rondee, 2001; Strobl and Walsh, 2002; Martins, 2005; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Poole, 2013; Hijzen et al., 2013; Perri and Peruffo, 2016; Sharma, 2018
		Career development	Sauvant, Mallampally and Economou, 1993; Pesola, 2007; Gachino, 2012
	Impacts	Transfer of management skills and knowledge to local organisations	Slaughter, 2002; Blomström and Kokko, 2002, 2003; Meyer, 2004; Gorg and Strobl, 2005; Pesola, 2007; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016
		Transfer and application of intrapreneurial skills to local organisations	Fosfurria, Mottac and Rondee, 2001; Meyer, 2004; Miyamoto, 2003, 2008
	Increase in productivity of local organisations	Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gerschewski, 2013; Mariotti et al., 2015	

Source: Researcher.

3.9 Gap identified in the literature review

The review of the theoretical (Appendix 1) and empirical literature (Appendix 2 and 3) presented in this chapter revealed that there is a gap in the literature on IFDI led human skills and knowledge spillovers in developing countries, as explained below.

A very recent meta-analysis of literature on IFDI impacts on the labour markets of host countries by Hale and Xu (2016) has reported that there is a gap of empirical research on the spillovers and impacts of IFDI on the local labour market in general and local human skills and knowledge related spillovers to local organisations in particular.

In addition, a recent systematic literature review on IFDI spillover impacts in developing countries by Gerschewski (2013) has identified that there is need for empirical research on IFDI spillovers impacts on local organisations in developing countries using a qualitative research design at micro level involving FMNE subsidiaries and local organisations mainly in the services sector in developing countries.

A waste majority of IFDI spillover studies (Appendix 2 and 3) in developing countries have been undertaken applying quantitative methods using panel data (Zhao, and Zhang, 2010; Jeon, Park, and Ghauri, 2013; Poole, 2013; Kang, 2016; Masso and Vahter, 2016; Osano and Koine, 2016; Dogan, Wong, and Yap, 2017) whereas a very few studies on spillover effects in developing countries have used qualitative research design (Gachino, 2012; Edrak et al., 2014; Jaguli, Malek, and Palil, 2014; Bruhn, et al., 2015). There is therefore dearth of qualitative empirical literature on IFDI spillovers in general and human skills and knowledge spillovers in particular (Ghauri and Firth, 2011; Gachino, 2012; Fu, 2012). Therefore, further empirical research using qualitative research methods such as interviews have been suggested (Gerschewski, 2013).

In regards, the specific gaps identified by the researcher are discussed in the following subsections.

3.9.1 FMNE subsidiaries' human resource development and training programmes

The literature review undertaken by the researcher revealed that there is little research about the reasons, types, location, duration and impacts of FMNE subsidiaries' human resource development and training programmes for their local labour both managers and workers in developing countries (Dowling and Welch, 2004), which through local labour and manager mobility result in skills and knowledge transfer related spillovers to local organisations in developing countries (Kesidou and Szirmai, 2008; Zhao and Zhang, 2010; Poole, 2013; Liu, Lu and Zhang, 2014; Gachino, 2014; Tesfaye, 2015; Park, Kim and Choi, 2016; Kang, 2016; Kim and Park, 2017). Hence, there is need for empirical investigation about the FMNE subsidiaries' human resource development and training programmes for their local managers in host developing countries (Zheng, Hyland and Soosay, 2007; Gachino, 2012; Gerschewski, 2013).

3.9.2 Reasons of local managers' mobility to local organisations

The reviewed literature also showed that studies on the reasons and impacts of local managers' mobility on local managers themselves mostly focused on local managers' wages (disposable income), (Martins, 2005; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012), career development (Pesola, 2007) and enhancement in intrapreneurial skills (Kapstein, 2002; Blomstrom and Kokko, 2002).

The literature review also showed that there is scarce empirical evidence about the reasons of local managers' mobility from FMNE subsidiaries to local organisations (Pesola, 2007; Fu, 2012). In addition, the literature reviewed revealed that the prior empirical research on local managers' mobility and human capital related spillovers to local organisations is mainly quantitative (Görg and Strobl, 2005; Martins, 2005; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Bekes, Kleinert and Toubal, 2009; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Hakkala and Sembenelli, 2012; Jeon,

Park, and Ghauri, 2013; Poole, 2013; Kang, 2016; Masso and Vahter, 2016; Osano and Koine, 2016; Dogan, Wong, and Yap, 2017). Therefore, recent studies have suggested a need for undertaking qualitative studies to better understand why FMNE subsidiaries trained local managers' move to local organisations in developing countries (Ghauri and Firth, 2011; Gachino, 2012; Fu, 2012; Gerschewski, 2013).

3.9.3 Spillovers and impacts of local managers' mobility

The earlier studies investigated isolated spillovers and impacts of trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries. For example, investigation of only the mobility of labour from FMNE subsidiaries to local organisations (Hakkala and Sembenelli, 2012), study of only transfer of management skills and knowledge from FMNE subsidiaries to local organisations (Gorg and Strobl, 2005; Jacob and Szirmai, 2007; Lesher and Miroudot, 2008) and only impact on the productivity of local organisations (Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Mariotti, et al., 2015).

Reviewed literature showed that there is a lack of full understanding about skills and knowledge transfer related spillovers to local organisations due to local managers' mobility in developing countries (Blomstrom and Kokko, 2003). In addition, there is dearth of empirical studies on human capital related impacts on local organisations because of trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries (Blomström and Kokko, 2002).

In addition, the literature reviewed revealed that the prior empirical research on human capital related impacts on local organisations is mainly quantitative (Görg and Strobl, 2005; Martins, 2005; Jacob and Szirmai, 2007; Lesher and Miroudot; 2008; Bekes, Kleinert and Toubal, 2009; Balsvik, 2011; Asli, Behname and Noormohamadi; 2012; Hakkala and Sembenelli, 2012; Jeon, Park, and Ghauri, 2013; Poole, 2013; Kang, 2016;

Masso and Vahter, 2016; Osano and Koine, 2016; Dogan, Wong, and Yap, 2017); hence, there is a need for undertaking qualitative studies to better understand the human capital related impacts on local organisations in developing countries (Ghauri and Firth, 2011; Gachino, 2012; Fu, 2012; Gerschewski, 2013).

More importantly, the researcher did not find any empirical study that simultaneously investigated important issues: (a) FMNE subsidiaries' human resource development and training programmes for knowledge and skills development of local managers in developing countries, (b) reasons for trained local managers' mobility from FMNE subsidiaries to local organisations, (c) skills and knowledge transfer spillovers to local organisations and (d) human capital related impacts on local organisations due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries.

It is therefore concluded that there is a gap of empirical research on IFDI spillovers on the local labour market in general and human skills and knowledge related IFDI spillovers to local organisations (Hale and Xu, 2016). In addition, there is a gap in the empirical literature on IFDI spillover impacts on local organisations mainly in the services sector in developing countries (Gerschewski, 2013). Moreover, there are a very few qualitative empirical studies on the IFDI led human skills and knowledge spillovers and local managers' mobility in developing countries (Gachino, 2012). There is therefore a need for undertaking qualitative research on IFDI impacts on human capital development and resultant spillovers and impacts on local organisations in developing countries (Ghauri and Firth, 2011; Gerschewski, 2013).

3.10 Summary

The review of both theoretical (Appendix 1) and empirical (Appendix 2 and 3) literature on IFDI spillovers in developing countries reported in this chapter revealed that IFDI in developing countries has positive impacts on human capital development through FMNE subsidiaries' human capital development and training programmes for local labour mainly local managers in host developing countries. The literature review revealed that the FMNE subsidiaries provide human capital development and training programmes that enhance skills and knowledge of local managers working in FMNE subsidiaries. In addition, literature review revealed that trained local managers move from FMNE subsidiaries to local organisations in developing countries and the local managers' mobility is motivated by increase in their wages and career development.

In addition, literature review presented in this chapter showed that through local managers' mobility from FMNE subsidiaries to local organisations IFDI results in to different types of spillovers related to skills and knowledge transfer to local organisations, which lead to human capital related impacts on local organisations resulting in increase in the productivity, upgrading of management knowledge and availability of intrapreneurial skills.

The evaluation of reviewed literature revealed that there is a lack of empirical qualitative research on the reasons, types, location, duration and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries. In addition, the evaluation of the reviewed literature showed that there is a limited research on reasons of trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries. The reviewed literature also showed that most of the earlier empirical studies investigated isolated impacts of local managers' mobility on local organisations such as transfer of skills and knowledge (Gorg and

Strobl, 2005; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008) and increase in productivity (Bekes, Kleinert and Toubal, 2009; Gauri and Firth, 2011; Mariotti, et al., 2015).

These findings suggested that there are gaps in the literature and there is a need for further empirical research in particular qualitative research that simultaneously investigates a number of important issues related to IFDI in developing countries. These issues include (a) reasons, types, location, duration and impacts of FMNE subsidiaries' human resource development and training programmes for local managers, (b) reasons of trained local managers' mobility from the FMNE subsidiaries to local organisations, (c) skills and knowledge transfer related spillovers to local organisations, (d) human capital related impacts on local organisations due to local managers' mobility, and (e) IFDI contributions in the human capital development in host developing countries.

Therefore, this study attempts to fill these gaps in the literature by undertaking an empirical study that applies a conceptual framework using a qualitative research design as explained in the next chapter.

4 CHAPTER 4: CONCEPTUAL FRAMEWORK

This chapter presents the conceptual framework that has been developed based on the literature review presented in the previous chapter. In this chapter, the first section provides the background to theoretical development of the conceptual framework by critically evaluating existing leading frameworks on IFDI spillovers in developing countries. The existing theoretical frameworks are criticised by highlighting their limitations and assessing their suitability for application for studying human capital related IFDI spillovers through local managers' mobility from FMNE subsidiaries to local organisations in developing countries. The second section presents and describes the conceptual framework developed by the researcher for undertaking the present empirical study. The last (third) section provides a summary that concludes this chapter.

4.1 Theoretical development

Literature review (presented in chapter 3) of theoretical studies (Appendix 1) and empirical studies (Appendix 2 and 3) undertaken by the researcher revealed that IFDI in developing countries has positive impacts on the human capital development through FMNE subsidiaries' human resource development and training programmes, which enhance skills and knowledge of local labour mainly local managers. The literature review also showed that FMNE subsidiaries trained local managers' move from FMNE subsidiaries to local organisations for career development and increase in wages. The literature review further revealed that local managers' mobility from FMNE subsidiaries to local organisations results in spillovers due to knowledge and skills transfer to local organisations, which results in human capital related impacts on local organisations.

The evaluation of reviewed literature revealed that there are gaps in the existing literature about empirical research on the reasons, types, duration, location and impacts of FMNE

subsidiaries' human resource development and training programmes for local managers as well as the reasons, spillovers and impacts of local managers' mobility from the FMNE subsidiaries to local organisations in host developing countries.

In addition, the evaluation of literature included in the literature review showed that there is a need of a conceptual framework that addresses above-mentioned issues and provides answers to the following research questions:

Question 1: What are reasons, types, duration, location and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries?

Question 2: Why do trained local managers move from FMNE subsidiaries to local organisations in developing countries?

Question 3: What are human skills and knowledge transfer related IFDI spillovers to local organisation due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries?

Question 4: What are human capital related impacts on local organisations due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries?

Question 5: What are IFDI contributions in local human capital development in developing countries?

The literature review undertaken by the researcher identified two leading frameworks i.e. Ghauri and Firth (2011) and Gachino (2012), which focus on IFDI spillovers due to human skills and knowledge transfer because of labour mobility from FMNE subsidiaries to local organisations in host countries. Nevertheless, these two frameworks had some limitations, which are described in the following sub-sections. The researcher

chose these two frameworks because they were relevant to research questions addressed in the present study. In addition, these two existing frameworks provided insights for developing a conceptual framework for the present study. These frameworks are described and evaluated below.

4.1.1 Ghauri and Firth framework

Description: The conceptual framework by Ghauri and Firth (2011) suggested MNE's bring IFDI based on the local environment in a developing country where they setup their subsidiaries, which develop linkages with local organisations in the host country. The Ghauri and Firth framework also suggested that IFDI over the time results in spillover impacts such as increase in the productivity, creation of employment and upgrading of technological and management capabilities in the local organisations in the host country (Figure 4-1).

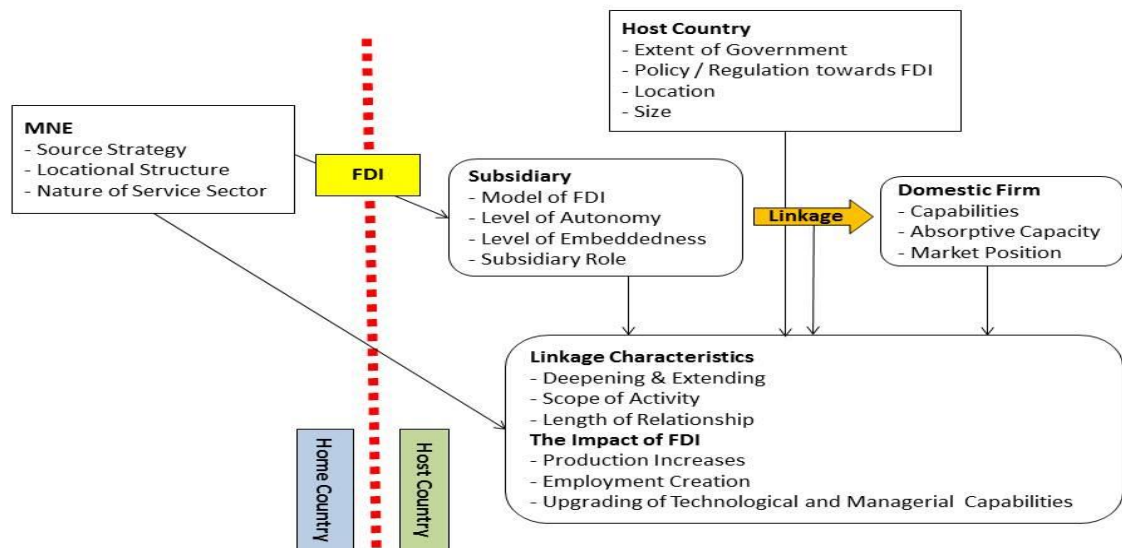


Figure 4-1 FDI spillovers - linkages and impacts

Source: (Ghauri and Firth, 2011)

4.1.2 Gachino framework

Description: In 2012, Gachino advanced his earlier conceptual framework (Gachino, 2006) by suggesting a new framework for IFDI spillovers (Figure 4-2), which included different modes of spillover occurrence and impacts of IFDI spillovers on the learning and capability development in local organisations in the context of the manufacturing sector in Kenya, which is a developing country in Africa (Gachino, 2012). The Gachino framework (2012) suggested that the IFDI spillovers occur through different mechanisms i.e. human capital / labour mobility, competition, linkages and demonstration. In addition, the Gachino framework (Figure 4-2) suggested that IFDI spillovers result in learning and capability development in local organisations through product changes, process changes, industrial upgrading, new marketing strategies and management and organisation changes (Gachino, 2012). Lastly, the Gachino framework (2012) proposed that the occurrence of IFDI spillovers to locally owned organisation would lead to knowledge feedback to IFDI by FMNE subsidiaries (Figure 4-2).

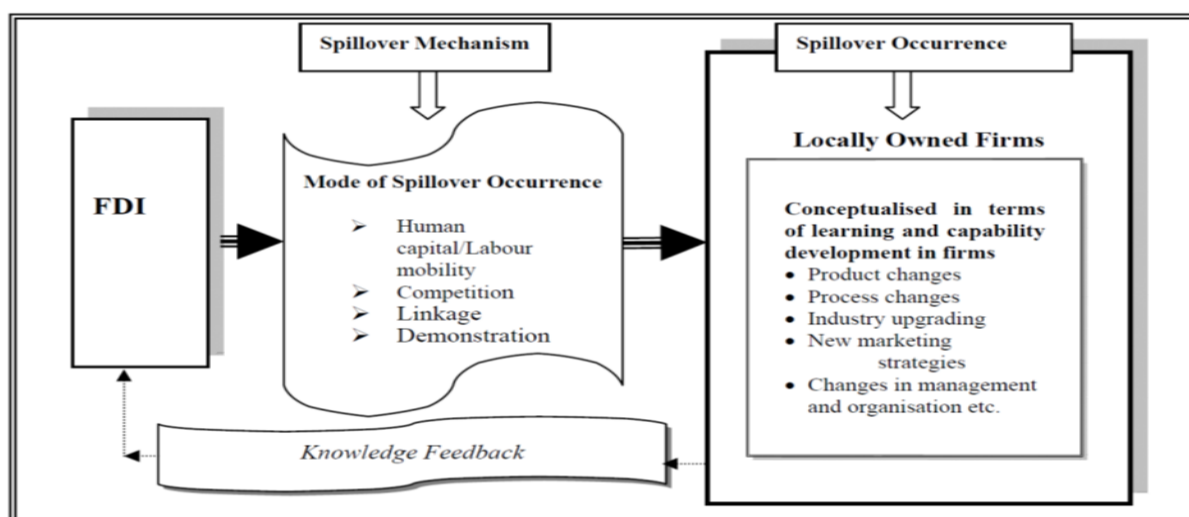


Figure 4-2 Gachino’s framework for FDI spillover analysis

Source: Gachino (2012)

4.1.3 Evaluation of theoretical frameworks by Ghauri and Firth (2011) and Gachino (2012)

Critical evaluation of theoretical frameworks by Ghauri and Firth (2011) and Gachino (2012) by the researcher has revealed many limitations in these frameworks as follows.

Although Ghauri and Firth (2011) framework includes three types of spillover impacts of IFDI i.e. increase in production, employment creation and upgrading of technological and managerial capabilities, it does not explain the mechanisms and channels of these spillover impacts. In addition, Ghauri and Firth (2011) framework (Figure 4-1) does not specify the exact locations of spillovers whether they occur at the level of local organisations or at the level of host country. This framework (Figure 4-1) also does not explain whose capabilities are enhanced due to IFDI spillovers because it could be either local managers who move from FMNE subsidiaries to local organisations or the local organisations where these trained mobile local managers go. Moreover, the Ghauri and Firth (2011) framework (Figure 4-1) does not include local managers as a source of, and their mobility as a vehicle of, IFDI related spillovers and associated impacts on local organisations and the host country.

These considerations are important because local managers' mobility from FMNE subsidiaries to local organisations is the key channel of skills and knowledge transfer related IFDI spillovers and associated human capital related impacts (Miyamoto, 2008) such as increase in the productivity (Meyer, 2004; Gorg and Strobl, 2005; Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Hakkala and Sembenelli, 2012; Gerschewski, 2013; Mariotti et al., 2015) and transfer of management and technological knowhow and skills to local organisations in host developing countries (Fosfuri, Motta and Ronde, 2001; Slaughter, 2002; Blomström and Kokko, 2002, 2003; Meyer, 2004; Gorg and Strobl, 2005; Pesola, 2007; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Spencer, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016).

Another limitation in the Ghauri and Firth (2011) framework (Figure 4-1) is that it does not include the IFDI led human resource development activities such as human resource development and training programmes by FMNE subsidiaries for local labour and their impacts on local managers in host countries. Therefore, Ghauri and Firth (2011) framework (Figure 4-1) has limitations for full understanding of human capital related IFDI spillovers to and impacts on local organisations in host developing countries.

The critical assessment of Gachino (2012) framework (Figure 4-2) revealed that it also has several limitations as follows. The Gachino framework (2012) does not explain why local labour including managers and workers move from FMNE subsidiaries to local organisations in a host developing country. The literature shows that local managers move from FMNE subsidiaries to local organisations in developing countries mainly for progress in career and securing senior positions (Sauvant, Mallampally and Economou, 1993; Lan and Young, 1996; Pesola, 2007) and higher wages (Fosfuri, Motta and Ronde, 2001; Blomström and Kokko, 2002; Kapstein, 2002; Slaughter, 2002; Lipsey and Sjöholm, 2004; Görg and Strobl, 2005; Spencer, 2008; Asli, Behname, and Noormohamadi 2012; Wang, Wong and Granato, 2013; De Grip and Sauermann, 2013). Therefore, identifying all other possible reasons for local managers' mobility from FMNE subsidiaries to local organisation is imperative.

The Gachino (2012) framework (Figure 4-2) also does not include FMNE subsidiaries' human resource development and training programmes for local managers and workers in host developing countries. The literature suggests that although FMNE subsidiaries employ local managers and workers in developing countries, their knowledge and skills do not meet the requirements of the FMNE subsidiaries (Lion, 2001; Slaughter, 2002) due to gaps in their knowledge and skills (Felstead and Green, 1996; Ng, 2005), which could be filled by FMNE subsidiaries through T&D programmes to their local

employees. Therefore, inclusion of human resource development and training programmes by FMNE subsidiaries for local managers and workers in developing countries in a conceptual framework on IFDI spillovers is important to know how FMNE subsidiaries provide human resource development and training programmes for local managers and workers in the host developing countries.

Moreover, the conceptual framework (Figure 4-2) by Gachino (2012) does not include human skills and knowledge related spillovers and human capital related impacts of FMNE subsidiaries' human resource development and training programmes for local managers and workers, especially when they move to local organisations. The literature shows that the FMNE subsidiaries' human resource development and training programmes for local managers lead to diffusion of knowledge and skills to local organisations when they move from FMNE subsidiaries to local organisations (Fosfuri, Motta and Ronde, 2001; Slaughter, 2002; Blomström and Kokko, 2002, 2003; Meyer, 2004; Gorg and Strobl, 2005; Pesola, 2007; Jacob and Szirmai, 2007; Lesher and Miroudot, 2008; Spencer, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016). Thus, local managers' mobility from FMNE subsidiaries to local organisations results in different human capital related impacts on local organisations such as increase in the productivity and transfer of management and intrapreneurial skills (Meyer, 2004; Gorg and Strobl, 2005; Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Hakkala and Sembenelli, 2012; Gerschewski, 2013; Mariotti, et al., 2015).

Thus, Gachino (2012) framework (Figure 4-2) has serious limitations as described above; hence, it is not fit for providing answers to research questions mentioned above.

In summary, Ghauri and Firth (2011) framework (Figure 4-1) and Gachino (2012) framework (Figure 4-2) suggest that IFDI results in spillovers in developing countries.

These spillovers include increase in production, creation of employment and upgrading of technological and managerial capabilities in the host country (Ghauri and Firth, 2011). In addition, IFDI leads to spillovers through labour mobility resulting in learning and capability development impacts on local organisations (Gachino, 2012). However, these two frameworks do not provide full picture about various issues surrounding skills and knowledge related IFDI spillovers and human capital related impacts in developing countries. Therefore, neither Ghauri and Firth (2011) framework (Figure 4-1) nor Gachino (2012) framework (Figure 4-2) is suitable in its entirety for investigating FMNE subsidiaries' human resource development and training programmes for local managers, FMNE subsidiaries trained local managers' mobility to local organisations, resulting human skills and knowledge related IFDI spillovers to local organisations, human capital related impacts on local organisations and IFDI contributions in human capital development in developing countries.

Consequently, the researcher has developed a conceptual framework that addresses the limitations in the existing theoretical frameworks (Figure 4-1 and 4-1) (Ghauri and Firth, 2011; Gachino, 2012). The conceptual framework (Figure 4-3) developed by the researcher is described below.

4.2 Proposed Conceptual Framework

The researcher has developed the proposed conceptual framework (Figure 4-3) based on the findings of a review of relevant literature (Appendix 1, 2 and 3) and a review of relevant existing frameworks on IFDI spillovers in host developing countries by Ghauri and Firth (2011) and Gachino (2012). The theoretical framework (Figure 4-3) proposed by the researcher is unique and different from the existing frameworks on IFDI spillovers in host developing countries (Ghauri and Firth, 2011; Gachino, 2012). The key differences that distinguish the present framework (Figure 4-3) from earlier frameworks

include its focus on FMNE subsidiaries' human resource development and training programmes for local managers in host developing countries, the reasons of trained local managers' mobility from FMNE subsidiaries to local organisations, human skills and knowledge transfer related spillovers to local organisations, human capital related impacts on local organisations and IFDI contributions in local human capital development in developing countries. Whereas the earlier frameworks (Figure 4-1 and 4-2) focused only on spillovers of IFDI with respect to increase in production, creation of employment and upgrading of technological and managerial capabilities (Ghauri and Firth, 2011) and the mechanisms of human capital / labour mobility and resulting spillovers such as learning and capability development in local organisations (Gachino, 2012). However, the frameworks by Ghauri and Firth (2011) and Gachino (2012) do not provide answers to various issues such as the reasons, types, duration, location and impacts of FMNE subsidiaries' human resource development and training programmes for local managers; the reasons of local managers' mobility from FMNE subsidiaries to local organisations and resulting human skills and knowledge transfer related spillovers to local organisations, human capital related impacts on local organisations and contributions of IFDI in local human capital development in host developing countries.

In addition, the conceptual framework (Figure 4-3) developed by the researcher in the present study comprises a number of assumptions and propositions that provide a novel and holistic research framework for empirically investigating FMNE subsidiaries' human resource development and training programmes for local managers; reasons of FMNE subsidiaries' trained local managers' mobility to local organisations, human skills and knowledge spillovers to local organisations and human capital related impacts on local organisations due to the trained local managers' mobility from FMNE subsidiaries to local organisations, and IFDI contributions in local human capital development in host

developing countries. Thus, the conceptual framework (Figure 4-3) suggested by the researcher is appropriate for undertaking an empirical study for filling the gaps in the literature on IFDI led local human capital development, human skills and knowledge spillovers due to local managers' mobility from FMNE subsidiaries to local organisations in host developing countries. More details about the background, development and components of the conceptual framework as reported in the following sub-sections.

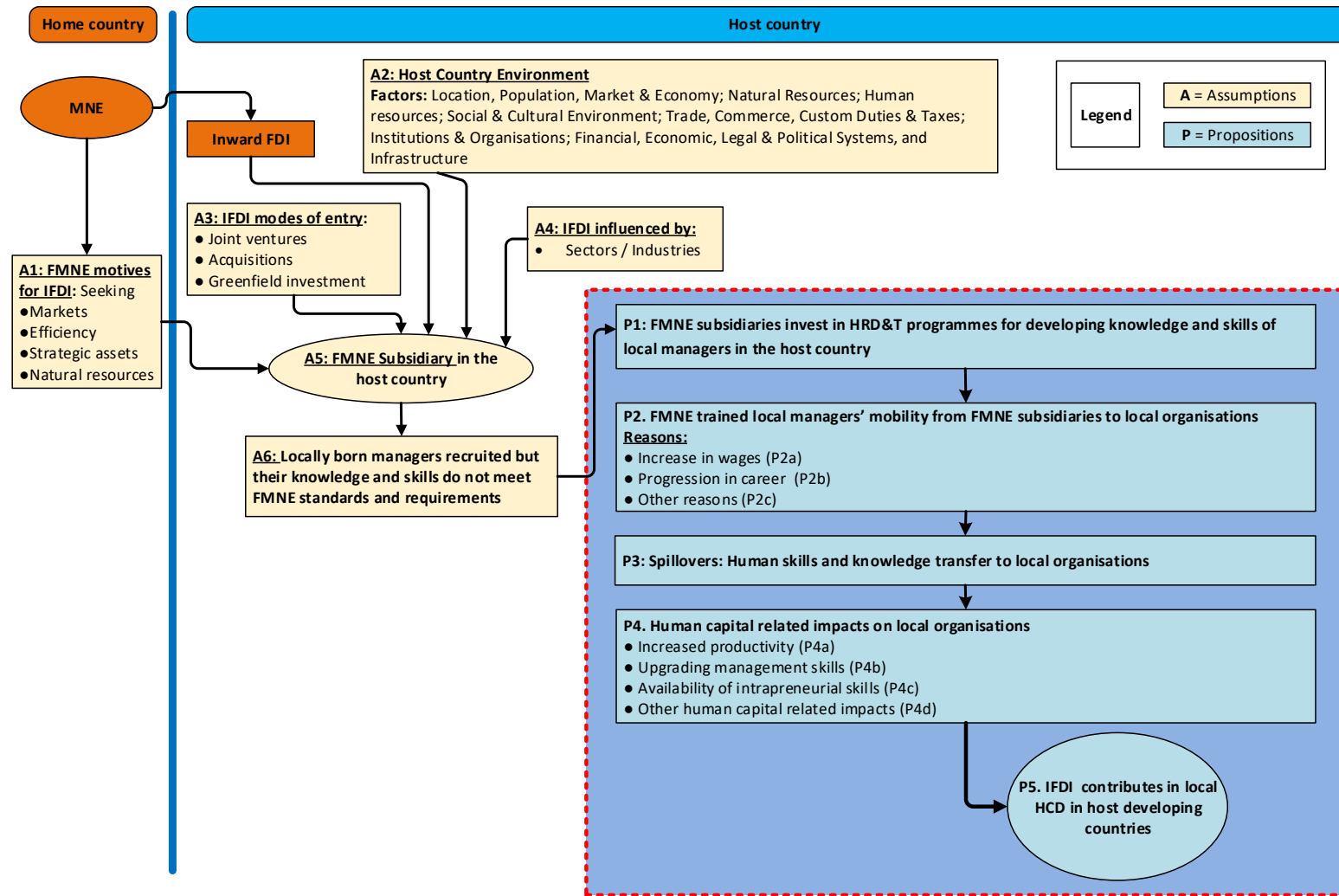


Figure 4-3 Conceptual framework of IFDI's spillovers of local managers' mobility from FMNE subsidiaries to local organisations

Source: Researcher

4.2.1 Background to the development of conceptual framework

The researcher developed a conceptual framework (Figure 4-3) based on the findings of the literature review comprising theoretical studies (Appendix 1) and empirical studies (Appendix 2), which suggested that IFDI has an important impact on local human capital development, human skills and knowledge transfer spillovers and human capital related impacts in host developing countries. The literature suggested the following.

- a) In most of the developing countries, the knowledge and skills of local labour (both managers and workers) do not meet the requirements and standards of FMNE subsidiaries (Lion, 2001; Slaughter, 2002). FMNE subsidiaries fill this knowledge and skills gap in host developing countries through human resource development and training programmes for local managers and workers (Kapstein, 2002; Blomstrom and Kokko, 2003).
- b) FMNE subsidiaries' human resource development and training programmes have positive impacts on local labour, especially on the local managers through development of their knowledge and skills.
- c) The FMNE subsidiaries trained local managers could move from FMNE subsidiaries to local organisations for various reasons such as enhancement in wages (Fosfurria, Mottac and Rondee, 2001; Strobl and Walsh, 2002; Martins, 2005; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Poole, 2013; Perri and Peruffo, 2016) and progress in the career (Pesola, 2007).
- d) Trained local managers' mobility from FMNE subsidiaries to local organisations results in human skills and knowledge transfer spillovers to local organisations and human capital related impacts on local organisations such as increase in the productivity (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gerschewski, 2013; Mariotti et al., 2015), upgrading of management skills

(Slaughter, 2002; Blomström and Kokko, 2002, 2003; Meyer, 2004; Gorg and Strobl, 2005; Pesola, 2007; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016) and availability of intrapreneurial skills (Fosfurina, Mottac and Rondee, 2001; Meyer, 2004; Miyamoto, 2003, 2008).

The conceptual framework (Figure 4-3) by the researcher therefore suggests that local managers are the main vehicles of human capital related IFDI spillovers i.e human skills and knowledge transfer that results due to FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries.

The conceptual framework (Figure 4-3) proposed by the researcher comprises a set of assumptions and propositions (Figure 4-3), which are explained below.

The term assumption refers to the basic belief about a theory and the facts (assumptions) are accepted as true for adoption of the theory; hence, they do not need empirical evidence for validation (Cheryl, 1993, p. 5) whereas the term proposition refers to the relationships between various concepts that are the key components of a theory and they require empirical evidence for validation (Cheryl, 1993, p. 5).

The proposed conceptual framework (Figure 4-3) provides six assumptions that represent various facts about IFDI reported in the published literature. These assumptions are not validated through empirical data in the present study because these assumptions are the facts that are accepted as true for adoption of the IFDI theory; therefore, they need not validation through empirical evidence (Cheryl, 1993, p. 5).

In addition, the proposed conceptual framework includes five propositions that suggest relationships among different concepts about IFDI and human capital development in the context of developing countries. The researcher has developed these propositions based

on a review relevant literature review (Appendix 1, 2 and 3). Propositions are relationships between various concepts that need empirical evidence for validation (Cheryl, 1993, p. 5). Therefore, these propositions have been included in the conceptual framework for empirical validation in the present study.

The assumptions and propositions included in the conceptual framework are explained as follows.

4.2.2 Assumptions

For studying IFDI spillovers in the context of developing countries, the knowledge about FMNE subsidiaries motives for IFDI location, modes of IFDI entry, host country environment, IFDI by sectors and industries, creation of FMNE subsidiaries in the host developing country and local human capital are very critical consideration. It is pertinent to state that the term sector means ‘a large segment of the economy’ and the term industry refers to ‘a more specific group of companies or businesses’ (Langager, 2018).

The conceptual framework provides six theoretical assumptions, which are based on IFDI related facts reported in the relevant literature that was reviewed by the researcher (Appendix 1, 2 and 3) and presented in chapter 3 – literature review. The assumptions included in conceptual framework (Figure 4-3) include the following:

- a) Assumption A1 - FMNE motives for IFDI location
- b) Assumption A2 - Host country environment
- c) Assumption A3 - IFDI modes of entry
- d) Assumption A4 - IFDI influenced by sectors / industries
- e) Assumption A5 - FMNE subsidiary in the host country
- f) Assumption A6 – Locally born managers recruited but their knowledge and skills do not meet FMNE standards and requirements

These assumptions are described in detail as follows.

FMNE motives for IFDI location

To understand FMNE subsidiaries' motives for IFDI location in developing countries, it is imperative to answer to an important question as follow:

- Why do FMNE subsidiaries bring IFDI in a developing country?

Literature review undertaken by the researcher revealed that FMNE subsidiaries' motive for IFDI location in developing countries include intrinsic motives i.e. seeking market opportunities, efficiency, strategic assets and natural resources, (Behrman, 1972, Hymer, 1976; Kacker, 1985; Dunning, 1977, 1988, 1993; Dunning and Lundan, 2008; Verbeke, 2013; Cuervo-Cazurra, Narula and Annique Un, 2015; Van Tulder, 2015). The conceptual framework therefore includes the following assumption.

Assumption A1: FMNE motives for IFDI location in developing countries include seeking market, efficiency, strategic assets and natural resources.

This assumption covers the motives of FMNE subsidiaries for IFDI in developing countries. This assumption is based on the literature as reported above; hence, it does not need validation (Cheryl, 1993, p. 5).

Host country environment

For knowing the relationships between the IFDI and host country environment in a developing country, it is vital to find answer to the following question:

- What factors are important in attracting (or inhibiting) IFDI in a host developing country?

Literature shows that host country environment greatly influences IFDI in a developing country (Miyamoto, 2008; Ghauri and Firth, 2011). The host country environment includes natural resources, human resources, market size, institutional quality, and legal,

trade, administrative and economic systems (Lee and Mansfield, 1996; Burt, 1997; Drabek and Payne 1999; Saggi, 2000; Smith, 2001; Javorcik, 2004; Al Sewilem, 2012). In addition, host country's pro IFDI policies and targeting of FMNE subsidiaries and high quality of human capital development also positively influence IFDI in to developing countries (Miyamoto, 2008).

Moreover, the evidence from many developing countries shows that the national culture of the host country affects people's behaviours and attitudes; thus, affecting the institutional quality and IFDI (Li, Jiang and Shen, 2016). For example, the latest evidence from many developing countries shows that good quality institutions and their natural culture positively affect IFDI (Lucke and Eichler, 2016) while a national culture plagued with a high level of corruption in developing countries is associated with less IFDI (Touny, 2016). Thus, the host country environment including human and natural resources, institutional qualities, and national culture are important determinants of IFDI in developing countries. The proposed conceptual framework (Figure 4-3) therefore includes the following assumption.

***Assumption A2:** IFDI in developing countries is influenced by host country environment: Location, Population, Market and Economy; Natural Resources; Human resources; Social and Cultural Environment; Trade, Commerce, Custom duties and Taxes; Institutions and Organisations; Financial, Economic, Legal and Political systems and Infrastructure.*

The assumption A2 covers the host country environment affecting IFDI in developing countries and it is also based on the literature; therefore, it does not need validation (Cheryl, 1993, p. 5).

IFDI modes of entry

The assumption A3 relates to IFDI modes of entry in developing countries and it answer to an important question as follows:

- How do FMNE subsidiaries enter in a host developing country?

Literature review by the researcher revealed that for IFDI in developing countries MNE's use different modes of entry, which include joint ventures (Phatak, 1997; Kogut and Singh, 1988; Moon, 1997; Chang and Rosenzweig, 2001; Delios and Henisz, 2003; Tihanyi et al., 2005; Dikova and Witteloostuijn, 2007; Zhang, Zhang and Liu, 2007; Chen, 2012), acquisitions (Hill, 2003; Bhaumik and Gelb, 2005; Dikova and Witteloostuijn, 2007) and greenfield investment (Erramilli and Rao, 1990; Anand and Delios, 1997; Herrmann and Datta, 2006; Dikova and Witteloostuijn, 2007; Kolb, 2007; Zhang, Zhang and Liu, 2007). Therefore, the suggested conceptual framework includes the following assumption.

Assumption A3: FMNE modes of entry for IFDI in developing countries include joint ventures, acquisitions and greenfield investment.

The assumption A3 thus covers the IFDI modes of entry in developing countries as reported in the literature. This assumption therefore does not require validation because it is based on the literature (Cheryl, 1993, p. 5).

IFDI influenced by sectors / industries

This assumption is included in the conceptual framework to provide answer to a critical question as under:

- What sectors and industries do attract IFDI in a host developing country?

Review of literature by the researcher showed that IFDI in developing countries can take place in the primary sector (i.e. agriculture, mining, and extraction of petroleum and gas),

manufacturing sector (e.g. automobiles, chemicals, machinery, textile, food and beverages, metal and petroleum products) and services sector (e.g. telecommunications, training and education, trade, construction, transport, hotels, utilities, and aerospace and defence) (UNCTAD, 2015, 2016b). Hence, the framework includes the following assumption.

Assumption A4: IFDI in developing countries is influenced by specific sectors and industries.

This assumption relates to IFDI sectors and industries in developing countries. This assumption does not need validation since it is based on the published literature (Cheryl, 1993, p. 5).

FMNE subsidiary in the host country

This assumption has been included in the conceptual framework (Figure 4-3) because it provides answer to the following important question in relation to FMNE's IFDI operations in host developing countries:

- How do FMNE subsidiaries operate in a host developing country?

Literature review undertaken by the researcher identified that MNEs create their subsidiaries in host developing countries where they find local environment favourable for IFDI (Lee and Mansfield, 1996; Burt, 1997; Drabek and Payne 1999; Saggi, 2000; Smith, 2001; Javorcik, 2004; Ghauri and Firth, 2011; Al Sewilem, 2012; Lucke and Eichler, 2016) and fulfilment of their IFDI location motives such as seeking natural resources, markets, efficiency and strategic assets (Behrman, 1972, Hymer, 1976; Kacker, 1985; Dunning, 1977, 1988, 1993; Dunning and Lundan, 2008; Verbeke, 2013; Cuervo-Cazurra, Narula and Annique Un, 2015; Van Tulder, 2015). Therefore, the conceptual framework provides the following assumption.

Assumption A5: For IFDI, a FMNE subsidiary is created in the host developing country.

The assumption A5 pertains to creation of FMNE subsidiaries in developing countries for undertaking IFDI related activities in the host countries. Like earlier assumption, this assumption is also based on the literature; hence, it does not need validation as suggested by Cheryl (1993, p. 5).

Locally born managers recruited but their knowledge and skills do not meet FMNE standards and requirements

The assumption has been included in the conceptual framework (Figure 4-3) to provide answer to the following important questions:

- Do FMNE subsidiaries employ local managers in the host developing country?
- Do the knowledge and skills of local managers fulfil the human capital requirements and standards of FMNE subsidiaries?

The review of literature by the researcher revealed when FMNE subsidiaries employ local managers and workers in the host developing countries. However, the quality and level of knowledge and skills of local managers do not fully meet the standards and requirements of FMNE subsidiaries (Lion, 2001; Slaughter, 2002). The proposed conceptual framework (Figure 4-3) therefore provides the following assumption.

Assumption A6: Locally born managers are recruited but their knowledge and skills do not meet FMNE standards and requirements.

The assumption A6 included in the conceptual framework (Figure 4-3) relates to the employment of local managers by FMNE subsidiaries and the quality of knowledge and skills of local managers in host developing countries. This assumption is also based on the evidence from the published literature. Therefore, like earlier assumptions, this assumption does not need empirical validation (Cheryl, 1993, p. 5).

The next section describes the propositions included in the conceptual framework (Figure 4-3), which is given below.

4.2.3 Propositions

The researcher identified gaps in the current literature through a review of published literature on IFDI led local human capital development and resultant spillovers and impacts in developing countries (Appendix 1, 2 and 3) as reported in section 3.9 in chapter 3. To fill the gaps in the literature, the researcher developed a set of five propositions that are included in the conceptual framework (Figure 4-3) to meet the five research objectives of this study (Section 1.7.2 in Chapter 1) and provide empirical answers to the five research questions (Section 1.8 in Chapter 1) included in the present study.

These propositions suggested in the conceptual framework (Figure 4-3) are as follows.

- a) Proposition P1 - FMNE subsidiaries invest in HRD&T programmes for developing knowledge and skills of local managers in the host country.
- b) Proposition P2 - FMNE trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons.
- c) Propositions P3 – Spillovers: Human skills and knowledge transfer to local organisations.
- d) Propositions P4 - Human capital related impacts on local organisations.
- e) Proposition 5 - IFDI contributes in local HCD in host developing countries.

Since these propositions suggest relationships between the IFDI and local human capital development in the host developing countries and IFDI led spillovers; hence, these propositions need validation through empirical evidence (Cheryl, 1993, p. 5), which is done through empirical data collection and analysis in the present study. The

propositions suggested in the conceptual framework (Figure 4-3) are described in detail along with the background literature and the exact wording in the following sub-sections.

FMNE subsidiaries invest in HRD&T programmes for developing knowledge and skills of local managers in the host country

The literature shows that one of the core objectives of IFDI is the effective transfer of knowledge and skills through human resource development and training programmes by FMNE subsidiaries (Tasng, 2001). In addition, literature shows that FMNE subsidiaries invest in human resource development and training programmes for developing skills and knowledge of local labour and managers because their knowledge and skills do not fulfil the standards and requirements of FMNE subsidiaries (Lion, 2001; Slaughter, 2002).

The researcher therefore proposes that FMNE subsidiaries develop human resource development and training programmes to fill the gap in local managers' knowledge and skills so that they meet the standards and requirements of FMNE subsidiaries. FMNE human resource development and training programmes include different types of training. For example, formal training which involves on-the-job training (as a proxy for specific training), off the-job training (as a proxy for general training) and informal training. The FMNE subsidiaries' human resource development and training programmes for local managers could also include local training (in-house or outside locally) and overseas training. The researcher therefore suggests the following proposition.

Proposition P1: FMNE subsidiaries investment in human resource development and training programmes for developing knowledge and skills of local managers in the host country.

The proposition P1 has been included in the conceptual framework to provide empirical evidence to fill the gap in the literature by answering to the following research questions:

- **Question 1:** What are the reasons, types, duration, location and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries?

FMNE trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons

The literature review undertaken by the researcher revealed that through FMNE subsidiaries' human resource development and training programmes local managers develop their competencies, improve knowledge and skills and enhance expertise (Fischer, 1990; Blomstrom and Kokko, 1997; McPherson and Roche, 1997; Lu and Bjorkman, 1998; Shields, 1998; McGaughey and De Cieri, 1999; Jain and Agrawal, 2005; Ng, 2005). In addition, some of these trained local managers move from FMNE subsidiaries to local organisations (Katz, 1987; Blomstrom, 1991; Blomstrom and Kokko, 1997; UNCTAD, 1999; Kapstein, 2002; Meyer, 2004; Gorg and Strobl, 2005; Blalock and Gertler, 2008; Spencer, 2008; Balsvik, 2010, 2011). The reasons of the trained local managers' mobility from FMNE subsidiaries to local organisations include increase in wages (Fosfuria, Mottac and Rondee, 2001; Strobl and Walsh, 2002; Martins, 2005; Balsvik, 2011; Asli, Behname and Noormohamadi, 2012; Poole, 2013; Perri and Peruffo, 2016) and progression in career (Pesola, 2007; Gachino, 2012; Oladapo, 2014). However, there could be other reasons for local managers' mobility from FMNE subsidiaries to local organisations, which need to be investigated.

The researcher therefore developed the following proposition

Proposition P2: FMNE trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons.

This proposition is divided into 3 sub-propositions regarding the reasons for local managers' mobility from FMNE subsidiaries to local organisations as follows.

Proposition P2a: *Local managers move from FMNE subsidiaries to local organisations for increase in wages.*

Proposition P2b: *Local managers move from FMNE subsidiaries to local organisations for progression in career.*

Proposition P2c: *Local managers move from FMNE subsidiaries to local organisations for other reasons.*

This proposition P2 (a, b and c) has been included in the conceptual framework to fill the gap in the literature by providing answer to the following research question:

Question 2: Why do trained local managers move from FMNE subsidiaries to local organisations in developing countries?

Spillovers: Human skills and knowledge transfer to local organisations

The review of relevant literature by the researcher showed that trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries results in human skills and knowledge related spillovers to local organisations (Gorg and Strobl, 2005; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Balsvik, 2011; Ali, Cantner, and Roy, 2016; Foster-McGregor and Pöschl, 2016; Kim and Park, 2017). The researcher therefore developed the following proposition.

Proposition P3: *Spillovers: Human skills and knowledge transfer to local organisations.*

The proposition P3 has been included in the conceptual framework to provide evidence to fill the gap in the literature by answering to the following question:

Question 3: What are human skills and knowledge transfer related IFDI spillovers to local organisations due to local managers' mobility to local organisations in developing countries?

Human capital related impacts on local organisations

The literature review by the researcher also identified that local managers' mobility from FMNE subsidiaries to local organisations results in various types of human capital related impacts on local organisations such as increased productivity (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gerschewski, 2013; Mariotti et al., 2015), upgrading of management skills (Slaughter, 2002; Blomström and Kokko, 2002, 2003; Meyer, 2004; Gorg and Strobl, 2005; Pesola, 2007; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016) and availability of intrapreneurial skills (Fosfurria, Mottac and Rondee, 2001; Meyer, 2004; Miyamoto, 2003, 2008). The researcher therefore developed the following proposition.

Proposition P4: *Human capital related impacts on local organisations.*

This proposition is divided in to 3 sub-propositions regarding the Human capital related impacts on local organisations as follows.

Proposition P4a: *Human capital related impacts of local managers' mobility from FMNE subsidiaries to local organisations include increased productivity in local organisations.*

Proposition P4b: *Human capital related impacts of local managers' mobility from FMNE subsidiaries to local organisations include upgrading of management skills in local organisations.*

Proposition P4c: *Human capital related impacts of local managers' mobility from FMNE subsidiaries to local organisations include availability of intrapreneurial skills in local organisations.*

It is also likely that the trained local managers' mobility could result in other human skills and knowledge related impacts on local organisations, which need to be investigated. Thus, the researcher therefore developed another sub-proposition under proposition P4 as follows.

Proposition P4d: *Local managers' mobility from FMNE subsidiaries to local organisations includes other types of human capital related impacts on local organisations.*

The proposition P4 (a, b, c and d) has been included in the conceptual framework to provide evidence to fill the gap in the literature by answering to the following research question:

Question 4: What are human capital related impacts on local organisations due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries?

IFDI contributes in local HCD in host developing countries

The last component of the proposed conceptual framework (Figure 4-3) suggests that IFDI contributes in local human capital development in host developing countries, which is through the knowledge and skills transfer that occurs as a spillover of the trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries (Farole, Staritz and Winkler, 2014). The literature reviewed undertaken by the researcher showed that local human capital development in host developing countries happens through spillovers of working methods such as diffusion of strategies and

operations of FMNE subsidiaries (Kogut and Zander, 1992; Leshner and Miroudot, 2008; Spencer, 2008), spillovers of knowledge and skills such as production expertise (Blomstrom, 1991; Balasubramanyam, Salisu and Sapsford, 1996; Blomstrom and Kokko, 1997; UNCTAD, 1999; Kapstein, 2002; Meyer, 2004; Gorg and Strobl, 2005; Leshner and Miroudot, 2008), transfer of management skills and knowledge (Slaughter, 2002; Blomström and Kokko, 2002, 2003; Meyer, 2004; Gorg and Strobl, 2005; Pesola, 2007; Jacob and Szirmai, 2007; Leshner and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016) and transfer of intrapreneurial skills (Fosfurria, Mottac and Rondee, 2001; Meyer, 2004; Miyamoto, 2003, 2008).

The researcher therefore developed the following proposition.

Proposition P5. *IFDI contributes in local human capital development in host developing countries.*

The proposition P5 has been included in the conceptual framework (Figure 4-3) to provide empirical evidence to fill the gap in the literature by providing empirical answer to the following research question:

Research Question 5: What are IFDI contributions in local human capital development in developing countries?

The researcher applies the proposed conceptual framework (Figure 4-3) in the context of Saudi Arabia that is a developing country, which provides an ideal context, as described in chapter 1 (section 1.6) and chapter 2 (Context of the country of study), for studying IFDI impacts on human capital development in developing countries. The methodology for undertaking the present study is described in the next chapter.

4.3 Conclusion

This chapter provided evaluation of two existing and leading frameworks on IFDI spillovers in developing countries. The evaluated frameworks included Ghauri and Firth framework (2011) and Gachino framework (2012). A review of these earlier frameworks by the researcher revealed that these frameworks were only partly relevant to studying the human capital related IFDI spillovers and impacts in developing countries and both frameworks had many limitations. For example, Ghauri and Firth (2011) framework (Figure 4-1) is silent about FMNE subsidiaries' human resource development and training programmes for local managers and resulting human skills and knowledge related spillovers and impacts on local organisations and human capital development in host developing countries. Similarly, the limitations in the Gachino framework (2012) (Figure 4-2) include no mention of FMNE subsidiaries' human resource development and training programmes for enhancing skills and knowledge of local managers and human skills, lack of information on the reasons of trained local managers' mobility from FMNE subsidiaries to local organisations and failure to identify human skills and knowledge related spillovers and human capital related impacts on local organisations due to trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries.

In addition, both earlier frameworks (Ghauri and Firth framework, 2011; Gachino, 2012) do not shed light on the IFDI contributions in local human capital development in host developing countries.

Taking note of the above-mentioned limitations in the existing leading frameworks (Figure 4-1 and 4-2) on IFDI spillovers in developing countries, the researcher developed a conceptual framework (Figure 4-3) that addresses the limitations in the existing frameworks (Ghauri and Firth framework, 2011; Gachino, 2012) as discussed above. The

suggested conceptual framework (Figure 4-3) has different components comprising assumptions and propositions.

The assumptions included in the conceptual framework (Figure 4-3) relate to FMNE subsidiaries' motives for IFDI location in developing countries (A1), the host country environment (A2), IFDI modes of entry (A3), IFDI sectors and industries (A4), creation of FMNE subsidiaries in host developing countries (A5) and employment of local managers by FMNE subsidiaries (A6) in host developing countries.

The propositions suggested in the conceptual framework (Figure 4-3) include FMNE subsidiaries' human resource development and training for local managers (P1), reasons of local managers' mobility from FMNE subsidiaries to local organisations (P2), human skills and knowledge transfer related IFDI spillovers to local organisations due to local managers' mobility from FMNE subsidiaries to local organisations (P3), human capital related impacts on local organisations because of local managers' mobility from FMNE subsidiaries to local organisations (P4) and IFDI contributions in local human capital development in the host developing countries (P5).

The researcher developed the proposed conceptual framework (Figure 4-3) based on a review of relevant literature (Appendix 1, 2 and 3) and a review of relevant existing frameworks on IFDI spillovers in host developing countries (Ghauri and Firth, 2011; Gachino, 2012). The proposed conceptual framework (Figure 4-3) provides a unique and holistic research framework for undertaking an empirical study that aims to investigate the reasons, types, duration, location and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries (study objective 1, research question 1), the reasons of trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries (study objective 2, research question 2), human skills and knowledge transfer related IFDI spillovers to local

organisations (study objective 3, research question 3), human capital related impacts on local organisations due to local managers' mobility to local organisations in developing countries (study objective 4, research question 4) and IFDI contributions in local human capital development in developing countries (study objective 5, research question 5).

Thus, the suggested conceptual framework can help in filling the gap in the literature by answering to five research questions (section 1.9 in chapter 1) addressed in this study. In addition, the proposed conceptual framework is unique conceptual framework that attempts to provide empirical evidence on IFDI contributions in local human capital development in the context of host developing countries.

The proposed conceptual framework is empirically tested in the context of a developing country i.e. the KSA, which is described in Chapter 2. The methodology of undertaking this empirical study is described in the next chapter.

5 CHAPTER 5: RESEARCH METHODOLOGY

This chapter describes the research methodology used in undertaking the present study. The first section explains the research philosophies. The second section describes the research approaches. The third section reports the research strategies. The fourth section describes the methodological choices. The fifth section describes the time horizons in research. The sixth section describes the data collection techniques. The seventh section explains the sampling techniques including the sample size and selection of study participants. The eighth section describes research participants. The ninth section explains the process of interviewing and data collection. The tenth section describes data analysis process. The eleventh section explains the validity, reliability and generalisability issues. The twelfth section addresses the ethical issues. The thirteenth (last) section provides a summary that concludes this chapter.

In this chapter, the researcher describes the methodology of the present study, which is influenced by the research methodology framework known as ‘research onion’ (Figure 5-1) which comprises six different layers that from outside to inside include the research philosophies, research approaches, research strategies, research methods choices, research time horizons and techniques and procedures for data collection and analysis (Saunders, Lewis and Thornhill, 2009). The structure of this chapter is mostly based on the above-mentioned different layers in the research onion (Figure 5-1) suggested by Saunders, Lewis and Thornhill (2009).

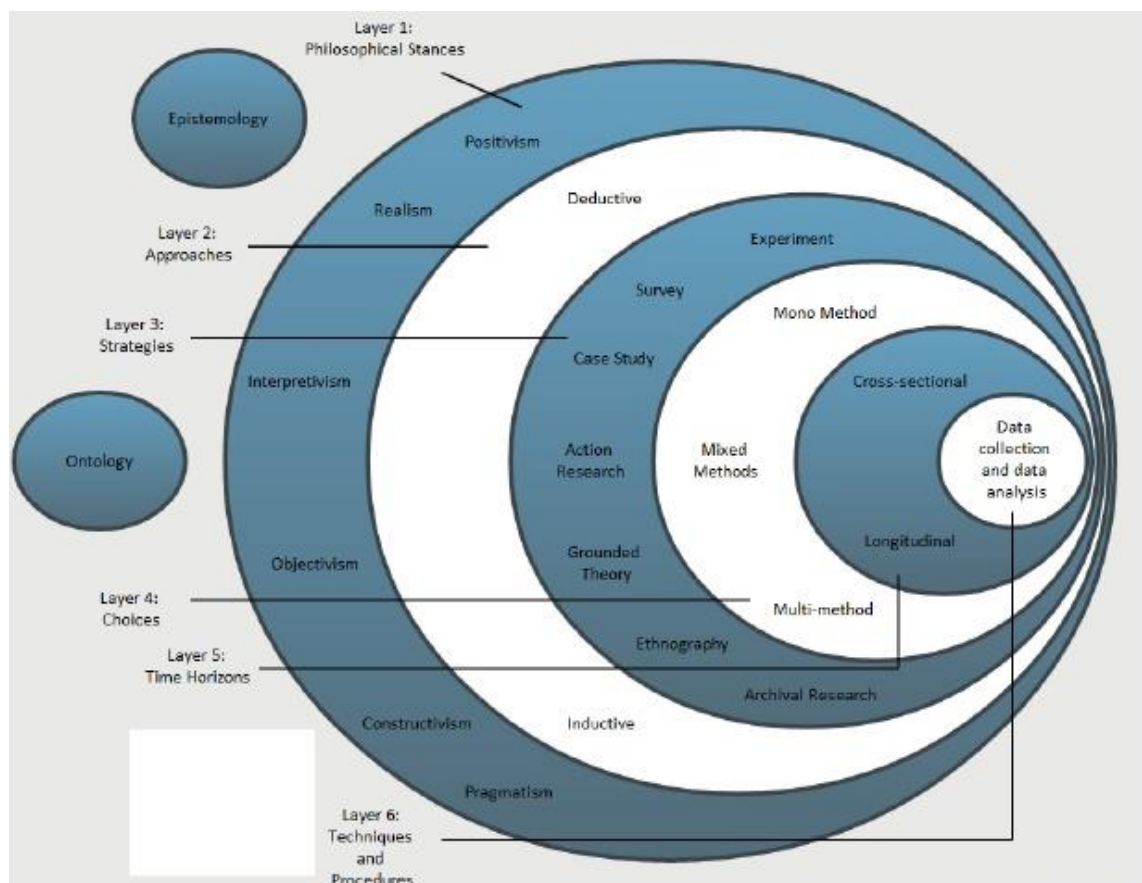


Figure 5-1 Research Onion

Source: Saunders, Lewis and Thornhill, 2009

5.1 Research philosophies

In social science research, research philosophies are based on two types of assumptions i.e. ontological assumptions and epistemological assumptions (Easterby-Smith and Malina, 1999), which are described below.

The term ontology refers to the “theory of the nature of social entities” (Bryman and Bell, 2011, p. 716) and it is “concerned with the nature of social phenomena being studied” (Allan, 2010, p. 21). There are two ontological positions i.e. objectivism and constructivism (constructionism) (Bryman and Bell, 2011, p. 20), which are also known as the realist and the nominalist positions respectively (Allan, 2010, p. 21).

In ontology, the objectivism or realist position claims that the social phenomena are external and social actors have no influence on them (Bryman and Bell, 2011, p. 21-23). Conversely, the constructionism (constructivism) or nominalist position claims that the social phenomena are not pre-given and are continuously being shaped and affected by the social actors (Bryman and Bell, 2011, p. 21-23).

Thus, the objective (or realist) position suggests that the social phenomena can be studied by “objective data and (it) involves using positivist, scientific and experimental methodologies, using quantitative data” that could be collected by either experiments or questionnaires (Allan, 2010, p. 21). In contrast, the constructivism (or nominalist) position suggests that the social phenomena can be researched by collecting “subjective data” such as accounts and experiences” of individuals (Allan, 2010, p. 21) that are collected by qualitative methods such as interviews and observations.

Epistemology refers to the “theory of knowledge” (Bryman and Bell, 2011, p. 714) or “the nature of knowledge” (Allan, 2010, p. 21). In epistemology, there are two positions i.e. positivism and interpretivism (Bryman and Bell, 2011, p. 15-17), which are also known as the positivist and anti-positivist positions respectively (Allan, 2010, p. 21-22).

From the epistemological perspective, the positivism position suggests that “knowledge is hard, objective and quantifiable” (Allan, 2010, p. 21). Hence, positivists advocate the use of natural sciences (scientific) methods for studying the social reality (Bryman and Bell, 2011, p. 15). The research under the positivist position therefore involves collection and analysis of quantitative data (Allan, 2010, p. 21).

From the epistemology viewpoint, the interpretivism (anti-positivist) position suggests that “knowledge is softer, subjective and based on individual experience” (Allan, 2010, p. 21). Thus, interpretivism suggests study of “subjective meaning of social actions”

(Bryman and Bell, 2011, p. 715) by collecting and analysing the qualitative data (Allan, 2010, p. 21). Thus, the interpretivist research paradigm is essentially a qualitative research paradigm that emphasises on subjective exploration and insights in qualitative data rather than on objective experimentation and mathematical treatment of quantitative data. In addition, the interpretivist research paradigm addresses questions about ‘how’ and ‘why’ an event or activity is taking place.

In short, research under the objective philosophical stance requires quantitative research involving the objectivism (realist) position of ontology and the positivism (objective) position of epistemology (Bryman and Bell, 2011, p. 27). On the contrary, the research under the subjective philosophical stance requires qualitative research involving the constructivism (nominalist / subjectivist) position of ontology and the interpretivism (anti-positivism / subjective) position of epistemology (Bryman and Bell, 2011, p. 27).

5.1.1 Justification for choosing the subjective position

For studying IFDI spillovers through local managers’ mobility from FMNE subsidiaries to local organisations in the context of developing countries, the researcher took the subjective position in the present study. The researcher applied the subjectivist (constructivism) position of ontology and the interpretivism (anti-positivism) position of epistemology (Bryman and Bell, 2011, p. 27) for the following reasons. The subjective interpretation helped researcher in gaining the real understanding of the research participants (Strauss and Corbin 1990) through studying their individual lived experiences (Schwandt, 1994, p. 118), thinking and expectations (Easterby-Smith, Thorpe, and Jackson, 2012) as well as knowing their perspectives, practices, actions and culture (Lindauer, 2005). The research philosophies selected in the present study are shown in Figure 5-2, which is given below.

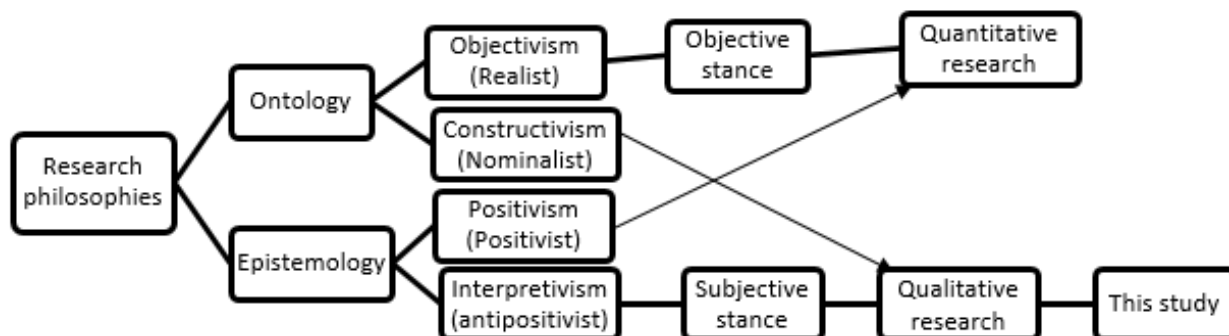


Figure 5-2 Research philosophies

Source: Created by researcher

5.2 Research approaches

There are two research approaches to reasoning i.e. deductive approach and inductive approach (Figure 5-1) (Saunders, Lewis and Thornhill, 2009), which define the link between theory and research (Baker and Foy, 2008) through reasoning leading to acquiring new knowledge (Hyde, 2000). The inductive approach begins with observation, which is followed by development of tentative hypotheses and culminates in building a theory whereas the deductive approach starts with a theory, which is followed by hypothesis development and confirmation by observation (Allan, 2010). Thus, the inductive approach is a theory development / building process while the deductive approach is a theory testing process (Hyde, 2000).

Based on the ontological and epistemological philosophical positions, research under the objective approach requires the deductive reasoning necessary for quantitative research while research under the subjective approach needs the inductive reasoning imperative for qualitative research (Allan, 2010, p. 23). Therefore, in quantitative research, the deductive reasoning or testing of theory is used in conjunction with the objectivism (realist) position of ontology and the positivism (objective) position of epistemology

(Bryman and Bell, 2011, p. 27). Whereas in qualitative research, the inductive reasoning or generation of theory is used with the constructivism (nominalist / subjectivist) position of ontology and the interpretivism (anti-positivism / subjective) position of epistemology (Bryman and Bell, 2011, p. 27).

5.2.1 Justification for selection of the inductive research approach

In the present study, the researcher used the inductive approach because it provided many advantages such as in-depth understanding of research problem, flexible design structure, and collecting qualitative data (Bryman, 1984). Through application of the inductive approach, the researcher undertook this qualitative empirical research to gain the holistic view of the research inquiry through the naturalistic approach to understand it in a particular context and settings (Hoepfl, 1997). Through this approach, the researcher accessed the subjective and social constructed meanings of the studied phenomenon by interpreting the non-numeric qualitative data (Saunders, Lewis and Thornhill, 2012), which was collected through semi-structured interviews. The qualitative data enabled the researcher to obtain detailed information from the respondents describing their experiences, feelings, attitudes, preferences, perceptions and positions about the research topic (Patton, 1990).

Therefore, qualitative research using the inductive approach was undertaken to thoroughly understand the issues explored in the present study and meet the research objectives.

5.3 Research strategies

A research strategy refers to “a general orientation to the conduct of business research”, which is determined by three important considerations i.e. ‘principal orientation of the role of theory in relation to the research, epistemological orientation and ontological orientation’ that lead to two distinct research strategies i.e. qualitative strategy and

quantitative strategy (Bryman and Bell, 2011, p. 26-27). There are different research strategies such as experiments, surveys, case studies, action research, grounded theory, ethnography and archival research (Figure 5-1) (Saunders, Lewis and Thornhill, 2009). Some of these strategies i.e. grounded theory, ethnography, case studies, archival research, action research are used in qualitative research (Moriarty, 2011; Saunders, Lewis and Thornhill, 2016, p. 163-164). The case study strategy is the most commonly applied in qualitative studies on IFDI spillovers (Ghauri and Firth, 2011; Gachino, 2012, 2014), which is described below.

5.3.1 Selection of case study strategy

The case study strategy refers to a qualitative research strategy (Yin, 1992), which is defined as follows:

“A strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple source or evidence” (Robson, 2002, p.178).

Typically, a case study involves a “detailed and intensive analysis of a single case”, which could be a single organisation, person (e.g. manager), location (e.g. production site, factory, or office building) or event (Bryman and Bell, 2011, p. 59-60). A case study strategy allows the opportunity to generate answers to the questions ‘How’ and ‘Why’ (Saunders, Lewis and Thornhill, 2009). In addition, the case study strategy has several advantages such as in-depth evaluation of change and innovation, inclusion of multiple perspectives and flexibility in data collection, which outweighs its disadvantages such as too much time consumed in undertaking the study and difficulty in generalisations based on a single case (Moriarty, 2011). Therefore, more recently in business and management research, the use of multiple case study design involving more than one case has

increased for comparing and contrasting the findings from different cases (Bryman and Bell, 2011, p. 63).

5.3.2 Justification for selection of case study strategy

The researcher used the multiple case study strategy, which helped in studying the multiple cases and their unique contexts (Bryman and Bell, 2011, p. 63) and supported in establishing whether the factors identified in one case were similar to or different from other cases (Yin, 2011). The other justification for using the multiple case study strategy in the present study was the use of this strategy by earlier studies on IFDI led spillovers (Okada, 2004, Ivarsson and Alvstam, 2005; Ghauri and Firth, 2011; Gachino, 2012, 2014).

5.4 Methodological choices

There are three choices for research methods (Figure 5-1) that include mono method, mixed methods and multi method (Saunders, Lewis and Thornhill, 2009). These methodological choices can be used in both the qualitative and quantitative studies such as mono method quantitative studies, mono method qualitative studies, multi method quantitative studies, multi method qualitative studies and (simple or complex) mixed method studies (Saunders, Lewis and Thornhill, 2016, p. 160-168). Mono method studies require use of single data collection technique and the respective data analysis procedure, which need to be either qualitative or quantitative whereas multi method studies need application of more than one data collection technique and data analysis procedure, which need to be restricted to either qualitative or quantitative research but not mixed qualitative and quantitative research (Saunders, Lewis and Thornhill, 2016, p. 163-166). Thus, multi methods choice is preferred over mono methods choice because the former provides more advantages such as avoiding limitations of single method in data collection, analysis and interpretation (Saunders, Lewis and Thornhill, 2016, p. 163).

However, mixed methods studies allow a combination of qualitative and quantitative research designs (Saunders, Lewis and Thornhill, 2016, p. 166), which means application of both qualitative and quantitative data collection methods and data analysis procedures leading to integrated interpretation for better understanding of the research problem (Creswell, 2014, p. 2-3; Clark and Ivankova, 2016, p. 4).

4.4.1 Justification for selection of mono method qualitative methodology

The review on literature on IFDI spillovers (Appendix 1, 2 and 3) undertaken by the researcher revealed that the mixed methods and multiple methods were seldom used in empirical studies on IFDI spillovers whereas the application of mono- methods choices was very common in studies on IFDI spillovers, which were either mono method quantitative studies (Leshner and Miroudot, 2008; Bekes, Kleinert and Toubal, 2009; Balsvik, 2011; Bhaumik and Dimova, 2013) or mono method qualitative studies (Ghauri and Firth, 2011, Gachino, 2012).

In the present study, the researcher used the mono method qualitative methodology because the qualitative empirical studies provide richer information about the research enquiry (Moriarty, 2011) and there is dearth of qualitative empirical studies on IFDI spillovers (Ghauri and Firth, 2011; Fu, 2012; Gachino, 2012; Gerschewski, 2013).

5.5 Time horizons in research

Regarding the time horizon, research studies are divided in to two main categories i.e. cross-sectional studies and longitudinal studies (Figure 5-1), which refers to research studies undertaken at one point in time and research studies conducted over a period of time respectively (Saunders, Lewis and Thornhill, 2009). The cross-sectional category of research studies most commonly includes surveys, case studies, action research studies and experiments while the longitudinal category of research studies mostly includes ethnographic studies, case control studies and cohort studies. Both cross sectional studies

and longitudinal studies have advantages and disadvantages. For example, cross sectional studies are relatively quicker, inexpensive and easy to do but they do not provide information about the changes over time and bias due to sample selection whereas the longitudinal studies allow for studying changes over time but they are expensive, labour intensive, time consuming and vulnerable to participant attrition overtime; hence, their validity is questioned (Robinson, Schmidt and Teti, 2005).

The cross-sectional designs involve more than one case at one point in time leading to collection of either quantitative or qualitative data for two or more variables (Bryman and Bell, 2011, p. 53-54). Therefore, the selection of either of them depends on the aims, objectives, nature and topic of the research enquiry as well as operational requirements specially the time and resources available to the researcher for undertaking the study. Nevertheless, empirical studies undertaken by postgraduate students are mostly cross sectional due to limited time and resources available to them. More importantly, most of the studies on IFDI spillovers have been cross sectional qualitative studies for example studies by Ghauri and Firth (2011) and Gachino (2012).

The term 'research design' refers to a framework that "guides the execution of a research method - a technique for collecting data and the analysis of the subsequent data" (Bryman and Bell, 2011, p. 41). There are different types of research designs such as experimental design, cross sectional research (or social survey) design, longitudinal design and case study design (Bryman and Bell, 2011, p. 45).

In business and management research, the use of some of the above research designs such as experimental design is very rare compared to other types of research designs such as cross-sectional research (or social survey) design, longitudinal design, and case study design (Bryman and Bell, 2011, p. 45). The cross-sectional research design involves more than one case (usually a large sample) at one point in time leading to

collection of either quantitative or qualitative data for two or more variables that are usually studied for patterns of association (Bryman and Bell, 2011, p. 53-54).

The cross-sectional research design has better generalisability and external validity compared to the case study, which some researchers claim to have theoretical generalisability (Bryman and Bell, 2011, p. 61). However, the key difference between a cross sectional design and multiple case study design is the focus on the sample of cases in the former design compared to the focus on the cases and their unique contexts in the latter design (Bryman and Bell, 2011, p. 63). The present researcher therefore used the cross-sectional time horizon for undertaking the present study.

5.6 Data collection techniques

Data collection techniques and data analysis procedures comprise the inner most circle in the research onion (Figure 5-1) suggested by Saunders, Lewis and Thornhill (2009). This is because the techniques used in collecting data and the procedures applied in analysing research data are very crucial for drawing inferences and making firm conclusions, many of which have important implications for practitioners in the domain of research enquiry (Saunders, Lewis and Thornhill, 2009). There are various data collection techniques such as questionnaire surveys, interviews, observations, experiments, documents and reports (Saunders, Lewis and Thornhill, 2012; Marshall, 2016). These data collections techniques have advantages and disadvantages, which need to be evaluated by researchers depending on the study rational, requirements, reasons and available resources. In the field of international business and human resource management, the use of questionnaire surveys (by hand, post / mail, phone or online) and (semi-structured) interviews (conducted in person / face-to-face, over the phone or Internet / online such as via skype) are the most common data collection techniques.

As mentioned above, the researcher undertook a qualitative study. Therefore, data collection methods for qualitative research are described here.

5.6.1 Qualitative data collection methods

The primary methods for collecting qualitative data include in-depth interviews and observations (Marshall, 2016). The data collected through interviews provide direct quotations of interviewees about their experiences, opinions, feelings, knowledge and perceptions whereas data collected by observations provide detailed rich description of peoples' activities, actions, behaviours, conversations and interactions in the observed context (Patton, 1990, p. 4). Therefore, application of in-depth interviews for collecting research data is the most appropriate method of data collection for in-depth understanding of the research problem (Creswell, 2014, p. 2-3; Clark and Ivankova, 2016, p. 4). Therefore, in the present study, the researcher collected empirical data using the interview method, which is described below.

Selection of interviews for data collection

Interviews are considered as an important data collection method in the qualitative research and it is a main source of evidence in the case studies research (Yin, 2011). Interviews are more appropriate when interpretations of actions, events, aspirations and opinions are necessary to be analysed in the research (Walsham, 1995). Interviews can be structured, semi-structured and un-structured (Saunders, Lewis and Thornhill, 2012).

Of these three types of interviews, semi-structured interviews are more frequently employed in qualitative studies (Saunders, Lewis and Thornhill, 2007). Interviews are deemed as the best method for collecting rich information but they are time consuming for example too much time required for arranging meetings with potential interviewees who could be very busy as well as a lot of time required for transcribing and then analysing the interview data.

Justification for selection of semi- structured interviews

The literature review undertaken by the researcher identified only one two studies that used semi-structured interviews of managers to study the impact of IFDI on local organisations in developing countries (Ghauri and Firth, 2011; Gachino, 2012). These findings suggested that there is a dearth of qualitative studies on spillover of managers' mobility from FMNE subsidiaries to local organisations. In addition, Gerschewski (2013) suggested that qualitative studies involving interviews of managers are needed to fully understand the IFDI spillovers due to managers' mobility from FMNE subsidiaries to local organisations in the service sector.

Therefore, the researcher used semi-structured interviews in the present study. Empirical data were collected using an interview protocol (Appendix 6), which was prepared by the researcher based on the conceptual framework (Figure 4-3). The themes included in the interview protocol (Appendix 6) broadly included human resource development and training programmes in FMNE subsidiaries for local managers in the KSA, the reasons of trained local managers' mobility from FMNE subsidiaries to local organisations, human skills and knowledge related IFDI spillovers to local organisations and human capital related impacts on local organisations due to trained local managers' mobility from FMNE subsidiaries to local organisation and the impact of IFDI on local human capital development in the host developing country i.e. The KSA.

The semi-structured interviews were conducted face to face, which facilitated asking supplementary questions, the language of interviews was either English or Arabic depending on the choice of interviewees and interviews took place mostly at the premises of participating FMNE subsidiaries and local organisations. The maximum duration of each interview was fixed at 60 min, which increased or decreased depending on how the interviews went. Each interview was audiotape recorded and the interviews

were transcribed verbatim prior to data analysis, as reported in earlier studies on IFDI spillovers (Ghuri and Firth, 2011). Details of the process of interviewing are given in section 5.9 in this chapter.

The semi- structured interviews helped the researcher in seeking clarification of complex questions from the research participants (Erickson, 2012) and provided the flexibility of changing the order of questions depending on the flow of the conversation between the participants and the researcher (Saunders, Lewis and Thornhill, 2011).

5.7 Sampling techniques

In research studies, sampling of research participants is one of the most important considerations because of limited time and money and access restrictions it would be very difficult to involve the whole population, which “refers to all the cases” of research interest (Robson, 2011, p. 270). Therefore, a sample of cases or elements from the whole research population is selected (Saunders, Lewis and Thornhill, 2012, p. 258-261). There are two main sampling techniques in research studies i.e. probability (or representative) sampling and non-probability sampling (Saunders, Lewis and Thornhill, 2012, p. 262). In the probability sampling, the probability (chance) of each participant’s selection is known while in the non-probability sampling, the chance (probability) of selection of a research participant is not known (Robson, 2011, p. 271; Saunders, Lewis and Thornhill, 2012, p. 261-262). There are different types of probability sampling and non-probability sampling, which are shown in Table 5-1.

Table 5-1 Types of probability sampling and non-probability sampling

Probability sampling	Non-probability sampling
Simple random sampling	Quota sampling
Systematic random sampling	Dimensional sampling
Stratified random sampling	Convenience (or haphazard) sampling
Cluster (random) sampling	Purposive sampling (i.e. extreme case purposive, heterogeneous purposive, homogenous purpose, critical case purposive, typical case purposive and theoretical)
Multi-stage sampling	Volunteer sampling (i.e. snowball sampling and self-selection)

Adapted from: Robson, 2011, pp. 271-276; Saunders, Lewis and Thornhill, 2012, p. 261.

The description and discussion of all types of sampling method mentioned in Table 5-1 is neither possible nor warranted in this thesis. However, the most significant difference between the two main categories of sampling is the statistical inferences regarding the research population, which can be made in the probability sampling but not in the non-probability sampling (Robson, 2011, p. 271). Therefore, the probability sampling is mostly used in quantitative research e.g. surveys research strategies where inferences are made from the sample about the whole population (Saunders, Lewis and Thornhill, 2012, p. 262) while the non-probability sampling is applied in qualitative research strategies (Bryman 2008; Robson, 2011).

The description and discussion on all types of the sampling is not given in this thesis because the present study was a qualitative study and the researcher used the purpose sampling type of the non-probability sampling, which is described below.

5.7.1 Convenience sampling for selection of case study organisations

In this study, the researcher used the convenience sampling technique for the selection of participating FMNE subsidiaries and local organisations, which has been used in earlier qualitative studies on IFDI spillovers (Ghauri and Firth, 2011; Gachino, 2012). The

researcher selected three FMNE subsidiaries and three local organisations in the KSA (Table 5-2). The sampling of research participants for interviews is described below.

5.7.2 Purposive (judgemental) sampling for selection of participants

The purposive or judgemental sampling is a type of the non-probability sampling that helps in selecting research participants in a strategic manner; and it is based on the judgement of the researcher that the selected participants will provide rich qualitative information while answering to the research questions due to their understanding of and experience with the research problem being investigated; hence, achieving the research objectives (Bryman 2008, p.p. 414-415; Saunders, Lewis and Thornhill, 2012, p. 288). Thus, the selection and use of the purposive (judgemental) sampling is the most appropriate sampling technique for case studies requiring small samples (Saunders, Lewis and Thornhill, 2012, p. 288). Therefore, the researcher used the purposive (judgemental) sampling technique for selecting the research participants in the present study.

5.7.3 Sample size

The sample size usually tends to be larger in fixed study designs such as questionnaire surveys that involve larger samples for statistical tests and generalisability (Robson, 2011, pp. 128-129). However, the flexible research designs such as case studies using semi-structured interviews have smaller sample size compared to the fixed study designs because the flexible research designs focus on purposive or theoretical considerations and theoretical saturation rather than on the representativeness (Robson, 2011, pp. 152-153).

However, no fixed sample size for undertaking a flexible research study has been suggested. Thus, different qualitative researchers have suggested different sample sizes ranging from 20-24 participants (Warren, 2002, p. 99) to 60 participants (Gerson and

Horowitz, 2002, p. 223). Even a very small sample size comprising 10 senior managers were interviewed for investigating the impact of IFDI on local organisations in China (Ghauri and Firth, 2011).

In the present study, the sample size comprised 24 participants representing six organisations (i.e. FMNE subsidiaries = 3 and local organisations = 3). Details of the research participants and their organisational affiliations are reported in the next section.

5.8 Research participants

As mentioned above, the researcher recruited and interviewed 24 participants working for FMNE subsidiaries (n=3) and local organisations (n=3) operating in Saudi Arabia (Table 5-2). Details about the selection of organisations and research participants are given below.

5.8.1 Selection of participating organisations

Organisations participating in this research study were selected based on the following criteria. The first criterion for the selection of the both FMNE subsidiaries and local organisations was to be an organisation in the services sector. The next selection criteria for the selection of FMNE subsidiaries was employment of at least five local managers irrespective of their level and department in the FMNE subsidiary and the mobility of at least two local managers from the FMNE subsidiary to any local organisation in the KSA. The additional criteria for the selection of local organisations included employment of at least two local mobile managers who moved from a FMNE subsidiary to the local organisation and the mobile local managers were still working in the local organisation irrespective of their level and department in the organisation.

Justification for selection of participating organisations

In the present study, the researcher applied the multi-case study research design because the selected case study research design neither imposes nor suggests a fixed number of participating organisations (cases) (Robson, 2011, pp. 152-153). Hence, using the personal contacts, the researcher identified six organisations, which included three FMNE subsidiaries (1 from USA and 2 from UK) and three local organisations (all from the KSA) that fulfilled the above-mentioned selection criteria. Table 5-2 provides the basic information about the selected organisations including their names, business sector, organisation profiles and organisation sizes.

All of six organisations that were recruited based on the above-mentioned criteria were in the services sector organisations. The reasons for choosing all organisations in the services sector were as follows.

- a) A recent systematic literature review on IFDI led spillovers in developing countries has suggested that there is a need for further research on spillovers in the services sector organisations in developing countries (Gerschewski, 2013).
- b) The services sector in Saudi Arabia is one of the biggest sectors and involves many industries such as telecommunication, banking and other financial businesses, training and development services, innovation and defence, etc.
- c) Most local Saudis managers work in organisations in the services sector.
- d) The turnover between organisations in the services sector in the KSA is very high and the researcher found many local Saudi managers who moved from FMNE subsidiaries to either another FMNE subsidiary or a local organisation in the same sector.

- e) Human resource development and training programmes in FMNE subsidiaries in the services sector are advanced and there is special focus on T&D activities in this sector.
- f) The researcher observed through informal discussion with some local managers that many local Saudis managers who moved from FMNE subsidiaries to local organisation worked in the services sector organisations.

Consequently, the researcher recruited participating organisations from the service sector because they were deemed fit to be the most appropriate source of data for studying the aims and objectives of the present study.

The following section describes the selection of participants (interviewees) for data collection in the present study.

5.8.2 Selection of research participants

The researcher selected research participants who comprised different types of managers working at both FMNE subsidiaries and local organisations (Table 5-2). The participants were selected based on a number of criteria and justification that are described below.

Criteria for participants' selection

Participants selected from FMNE subsidiaries comprised different types of managers as under:

- a. Managers involved in the organisational strategy and business development in FMNE subsidiaries (henceforth mentioned as FMNE subsidiaries managers).
- b. Managers responsible for planning and development of human resources in FMNE subsidiaries (henceforth reported as FMNE subsidiaries managers).
- c. Senior local managers working at FMNE subsidiaries (henceforth mentioned as FMNE subsidiaries managers).

d. Managers responsible for the organisation and delivery of human resource development and training programmes (henceforth stated as FMNE subsidiaries managers).

Participants selected from local organisations included different types of managers as follows.

a. Managers involved in the organisational strategy and business development in local organisations (henceforth reported as local organisations managers).

b. Managers responsible for the human resource development in local organisations (henceforth mentioned as local organisations managers).

c. Local managers who moved from FMNE subsidiaries to local organisations and were working in any department in the local organisations (henceforth reported as mobile local managers).

d. Managers who managed the mobile local managers in the local organisations (henceforth called as local organisations managers).

Thus, three types of managers were recruited for data collection in the present study. These managers included FMNE subsidiaries managers (managers who were currently working FMNE subsidiaries), local mobile managers (FMNE subsidiaries trained local managers who moved from FMNE subsidiaries to local organisations) and local organisations managers (managers who were already working at local organisations and some of them were supervising the local mobile managers working in local organisations). Table 5-2 shows all the three types of the managers and their affiliations and designations at the time of data collection.

Justification for participants' selection

The justification for selection of different types of managers working in both the FMNE subsidiaries and local organisations was as follows.

For FMNE subsidiaries, managers responsible for organisational strategy and business development were selected for seeking information about strategic issues especially regarding recruitment of local managers and human resource development in the host country. The selection of human resource development managers was also imperative for getting information about the knowledge and skills needs and knowledge and skills development of local managers and the impact of these knowledge and skills development programmes on managers' mobility and the reasons of their mobility from FMNE subsidiaries to local organisations. The selection of local managers working at FMNE subsidiaries was important for seeking information about their experiences and opinions about FMNE subsidiaries' human capital development and training programmes for local managers. Finally, the selection of FMNE managers responsible for human resource development and training programmes was critical for obtaining information about the types, duration, and location of FMNE subsidiaries' human capital development and training programmes for local managers in the host developing country.

For local organisations, the selection of managers responsible for the organisational strategy and business development was necessary for obtaining information about the strategic issues especially about local human capital including the availability, recruitment and development of local managers as well as hiring of FMNE subsidiaries trained mobile local managers by local organisations. The selection of human resource development managers was deemed important for collecting information about the knowledge and skills of mobile local managers working in the local organisations. The

selection of mobile local managers was imperative because they were the key informants about the reasons of their mobility from FMNE subsidiaries to local organisations. Lastly, the selection of line managers of mobile local managers was critical for collecting information about the human capital related spillovers and related impacts due to (mobile) local managers' mobility from FMNE subsidiaries to local organisations in the host developing country.

Based on the fulfilment of above-mentioned criteria, the researcher recruited 24 participants (12 FMNE subsidiaries managers, 6 mobile local managers and 6 local organisations managers) (Table 5-2).

The justification for recruiting 24 participants for interviews in the present study was as follows.

It is imperative to state that there is no fixed number of participants / interviewees suggested for qualitative research. A review of qualitative studies on IFDI spillovers by the researcher showed that some qualitative researchers interviewed up to 10 participants (Ghuri and Firth, 2011), some researchers suggested selection of 20 to 24 participants (Warren, 2002, p. 99) while other qualitative researchers proposed a sample size up to 60 participants (Gerson and Horowitz, 2002, p. 223).

Consequently, in the present study, the researcher chose a sample size of 24 participants (21 male and 3 female) who were recruited from six organisations mentioned above. The selected sample size in the present study was in the study by in agreement with the sample size suggested by (Warren, 2002, p. 99) and it was bigger sample size than the sample size used by Ghauri and Firth (2011).

Details of selected researcher participants and their positions and organisational affiliations are reported in Table 5-2.

Table 5-2 Organisations and Managers (interviewees) involved in the study

Organisations				Managers (interviewees)	
Type	Name	Sector	profile	Designation /gender and age	Type / Source country
FMNE Subsidiaries	BAE Systems Saudi Arabia	Defence, aerospace and security	Operating in KSA since early 1970s Number of employees = 5300 in the KSA (57% of total employees' Saudi nationals*) ↓Firm size = Large	1. Director HR, learning & development, and talent management programmes (male, age: 40 years). 2. Director HR for services and chairman of operation board (male, age: 41 years). 3. VP human resource development (male, age: 59 years). 4. Manager strategy & planning (male, age: 47 years).	FMNE subsidiaries managers (all) Source country: United Kingdom
	Saudi Development and Training Company	Professional training and development / education	Founded in 1994 Number of employees = 51~200** ↓Firm size = Medium	1. CEO (male, age: 40 years). 2. VP HR & project programmes (male, age: 43 years). 3. Director eastern region (male, age: 58 years). 4. Director public relations & communications (male, age: 39 years).	FMNE subsidiaries managers (all) Source country: United Kingdom
	Oracle Systems Limited – Saudi Arabia	IT and software solutions	Founded in 1999 Number of employees = ~250*** ↓Firm size = Medium	1. Senior VP (male, age: 58 years). 2. Director management and country leader (male, age: 40 years). 3. Director business development & strategic planning (female, age: 30 years). 4. Manager HR (female, age: 29 years).	FMNE subsidiaries managers (all) Source country: United states of America
Local organisations	Alinma Bank	Banking, financial and investment services	Founded in 2006/07 Number of employees = 1001-5000 * ↓Firm size = Large	1. Regional manager sales division (male, age: 38 years). 2. Director human resource development for IT & applications (male, age: 35 years). 3. Head sales division (male, age: 49 years). 4. VP human resource development (male, age: 48 years).	Mobile local manager, country: KSA = Local organisations manager, country: KSA =
	Saudi Telecom Company (STC)	Telecommunication and information technology	Founded in 1998, Number of employees = >10,001‡ ↓Firm size = Large	1. Director networks & manager consultation services department (male, age: 35 years). 2. Senior manager (women section) consumer insight department (female, age: 32 years). 3. Director consumer insight department (male, age: 36 years). 4. VP business units (male, age: 50 years).	Mobile local manager, country: KSA = Local organisations manager, country: KSA =

	Etihad Etisalat Company (known as Mobily)	Telecommunication	Established in 2004, a leading mobile phone company in the KSA‡, Number of employees = 1001-5000‡ ‡Firm size = Large	1. Director business planning & development (male, age: 47 years). 2. VP technical & radio spectrum regulations (male, age: 42 years). 3. VP human resource development, learning & development (male, age: 39 years). 4. VP human resource development & talent management (male, age: 40 years).	Mobile local manager, country: KSA = Local organisations manager, country: KSA =
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HR=Human Resources, human resource development=Human Resources Department, CEO=Chief Executive Officer, FMNE=Foreign Multinational Enterprise, IT=Information Technology, VP=Vice President

* <http://www.baesystems.com/en/our-company/our-businesses/bae-systems-saudi-arabia/about-us/key-facts>

** <https://www.linkedin.com/company/bae-systems-saudi-development-and-training/>

*** https://www.zawya.com/mena/en/company/Oracle_Systems_Limited_Saudi_Arabia-12469689/

‡ <https://www.linkedin.com/company/alinma-bank/>; # <https://www.linkedin.com/company/stc/>; ‡ <http://www.mobily.com.sa/>.

‡= Based on the **European Commission's** classification of small and medium-sized enterprises (SMEs)

<http://ec.europa.eu/eurostat/web/structural-business-statistics/structural-business-statistics/sme>

Source: Researcher.

5.9 The process of interviewing and data collection

The process adopted in interviewing and data collection included the following steps.

First, fixing the date and time of interview at the convenience of each interviewee.

Second, the selection of the place of an interview, which was most commonly at the premises of the interviewee's place of work unless the interviewee wished an alternate place that was safe, easily accessible, convenient and acceptable to both the interviewee and the interviewer (the researcher).

Third, before the start of an interview, the researcher introduced himself to the interviewees (participants) to whom he verbally informed about the aim and objectives of the study and participant's voluntary participation without any remuneration in the study as well as each participant was given a copy of participant information sheet.

Fourth, prior to the beginning of the interview, each participant was verbally informed that the interview will be tape-recorded using either a tape recorder or audio recorded by using a smart mobile phone. Fifth, the participants were advised that they could ask the researcher to stop at any moment during the interview if they wished to do so due to any reason.

Sixth, at the end of the interview, each participant was given a chance to ask any question seeking clarification if they wished to do so. Lastly, the

researcher thanked the interviewees for taking part in the study and at this stage the interview was closed.

After finishing interviews, all interviews were transcribed verbatim which was followed by data analysis as described below.

5.10 Data analysis

For analysis of qualitative data collected through semi-structured interviews, the researcher used the content analysis of qualitative data (Bryman, 2008; Robson, 2011). For undertaking the content analysis of the qualitative interviews data, the researcher used the NVivo software for qualitative data analysis (QSR International Pty Ltd. 2014), as reported by earlier researchers who studied IFDI spillovers to local organisations (Ghauri and Firth, 2011). The main reasons for the use of the NVivo software included saving the time, increasing the reliability of data analysis, reducing human error in data analysis and the potential for identifying unexpected ideas and insights and preservation of rich textual narrative (Ghauri, 2004, Sinkovics, Penz and Ghauri, 2005, 2008; Ghauri and Firth, 2009). The process of analysing data using the NVivo involved five steps i.e. data organising, linking, coding, searching and modelling (Sinkovics, Penz and Ghauri, 2005).

For content analysis, the researcher used the thematic coding approach (Bryman, 2008, p. 554-555; Robson, 2011, pp. 474-448), which involved identifying, analysing, and reporting patterns (themes) within the collected data (Braun and Clarke, 2006). The researcher used the inductive or bottom up analysis for identifying richer data driven themes providing in-depth description of the key issues raised by the participants (Braun and Clarke, 2006; Bryman, 2008; Robson, 2011).

The content analysis was undertaken in six stages i.e. familiarising with data starting with transcription of interview data (verbal data), generating initial codes, searching for themes with various levels (e.g. sub-themes within themes and the main overarching themes), reviewing (and refining) themes, defining and naming themes and producing a report of the findings (Braun and Clarke, 2006). The process of data coding and thematic analysis is described below.

5.10.1 Process of data coding and thematic analysis

The process of data analysis began with transcribing verbatim of interviews data. A separate transcript was created for each interview. All interview transcripts (n=24) were imported as data source files in to the NVivo Software. Then, the researcher read each interview transcript word by word for identifying unique codes using the grounded theory approach. No prior list of codes was used. The researcher created data driven codes that emerged from the interview data. After completing the coding of all data transcripts, researcher exported the codes list in an Excel spreadsheet. This was followed by sorting of all codes for identifying duplicate codes and similar codes. All duplicate codes and all codes that were similar they were either merged together or modified with a new code name. The list of codes was reviewed for identifying underlying sub-themes. Thereafter, sub-themes were reviewed for identifying broad themes relevant to all five propositions included in the conceptual framework (4-3).

5.11 Validity, reliability, and generalisability

Qualitative research studies are generally criticised for the validity, reliability, and generalisability of their findings (Leung, 2015). These issues are described below.

5.11.1 Validity

In research, the term validity refers to accuracy and truthfulness of the findings (Brink, 1993) and “appropriateness” of the whole research process including validity of the

research questions for the desired outcome, appropriate of chosen methodology for answering the research questions, validity of the methodological design, appropriateness of the sampling and data analysis, and validity of the results and conclusions for the sample and context (Leung, 2015). For example, validity of data analysis can be improved by several methods such as proper documentation of the research methodological process (Carcary, 2009) and respondent verification of data (Lincoln and Guba, 1985, 1985, p. 416).

Therefore, for ensuring the validity of the research methodology and findings of the present study, the researcher properly recorded and reported the methodological process and verified data from the research participants, as suggested by earlier researchers (Carcary, 2009; Lincoln and Guba, 1985, 1985, p. 416).

5.11.2 Reliability

In qualitative research, reliability lies with consistency of the research process (Brink, 1993; Carcary, 2009). The reliability of research process and results can be enhanced by different approaches such as constant data comparison (Silverman, 2009, p. 472). Therefore, the researcher used constant data comparison method reading the interview transcripts more than one time and repeatedly checked the codes, sub-themes and themes to ensure the reliability of the data analysis process and findings of the present study (Carcary, 2009; Silverman, 2009, p. 472).

5.11.3 Generalisability

In qualitative research, generalisability could be reasonably assessed by adopting the same criteria as for the validity such as systematic sampling, constant comparison, and proper audit and documentation (Golafshani, 2003; Finfgeld-Connett, 2010; Leung, 2015).

Thus, for ensuring the generalisability of the findings of the present study, the researcher used thorough record keeping (Long and Johnson, 2000), reported verbatim descriptions of participants' accounts (Morse et al., 2002), used validation of the interview transcripts by respondents themselves, avoided his personal biases (Morse et al., 2002) and developed codes using data driven approach and reported the final themes and concepts (Sandelowski, 1993), which emerged from the data driven codes and were relevant to the propositions suggested in the conceptual framework (Figure 4-3).

However, there are limits to any generalisation that can reasonably be made from research findings of the present study for several reasons. Firstly, these findings are context specific i.e. relating to IFDI in the services industry in the KSA. Secondly, interviews with a small number of managers (n=24). Thirdly, selection of three FMNE subsidiaries and three local organisations that had their country head offices located in Riyadh – the capital city of Saudi Arabia. Nevertheless, the aim of the methodology used was to generate illustrative findings, based on the identification and interpretation of interviewees' ideas, opinions and attitudes. Therefore, greater generalisability can be achieved by future survey based studies that could follow on from the findings of the present study.

5.12 Ethical issues

Consideration of ethical principles and issues is imperative in any research study especially those involving the humans (Bryman 2008, p. 118; Robson, 2011, pp. 194). The most notable ethical considerations in research studies are presented in Table 5-3.

Table 5-3 Ethical issues and considerations in research studies

1. Informed consent of the participants
2. Voluntary participation of participants
3. Security, safety, privacy and protection of participants' personal data

4. Anonymity and confidentiality of the participants' data during reporting
5. Safety and security of research data and use for the intended purpose
6. Storing of data for a specific timeframe
7. Researcher's safety and security during undertaking research
8. Approval of the ethics committee(s) prior to undertaking of the study

Source: developed by researcher based on information taken from Bryman (2008, p. 118-133) and Robson (2011, pp. 194-233)

The researcher complied with the ethical issues and considerations as shown in Table 5-3 above. The researcher prepared a participant information sheet and a consent form for the participants, which was provided to the participants at the time of first contact with them regarding their participation in the study. The participant information sheet provided a concise but clear information about the aims and objectives of the research study, the names and contact details of the researcher and his supervisor at Brunel University, the voluntary nature of participation in the study, assurances regarding the privacy, anonymity and confidentiality of the research participants and their organisations, the information about the type of research intervention i.e. semi-structured interviews, and the format, estimated duration, place and language of the interview.

In addition, the researcher sought ethics approval from the Research Ethics Committee at the Brunel Business School, Brunel University London prior to undertaking the research (Appendix 4). After getting the ethics approval (Appendix 4), the researcher contacted the research participants and their organisations to seek their approval / agreement and consent for undertaking the study. Thereafter, data were collected from the research participants through semi-structured interviews conducted at their premises or any other appropriate place convenient to the participants and the researcher.

5.13 Summary

The literature review revealed that there was a dearth of qualitative studies on IFDI spillovers due to local managers' mobility from FMNE subsidiaries to local organisations (Hale and Xu, 2016). A recent systematic review suggested that there was a gap of research on IFDI spillovers in the services sector organisations and it suggested for a qualitative approach to study this gap (Gerschewski, 2013). This gap was also evident from the identification of only two studies that used the qualitative approach for studying IFDI spillovers due to labour mobility from FMNE subsidiaries to local organisations in developing countries (Ghuri and Firth, 2011; Gachino, 2012). The researcher therefore used the qualitative research approach for undertaking this study. The researcher used the case study design involving multiple cases i.e. six organisations (three FMNE subsidiaries and three local organisations) in Saudi Arabia. The data were collected from 24 research participants who were managers working at FMNE subsidiaries (participants n=12) and local organisations (participants n=12). The data were collected by semi-structured interviews using an interview protocol (Appendix 6) that covered study objectives (section 1.8.2 -Chapter 1), research questions (Section 1.9 - Chapter 1) and propositions in the conceptual framework (Figure 4-3). The interviews were conducted in either English language or Arabic language depending on the choice of each interviewee and the duration of each interview was maximum 60 min. The interviews were conducted mostly at the premises of research participants' organisations in Saudi Arabia. The interviews were tape recorded and data were transcribed verbatim. The qualitative data were analysed by thematic analysis using the NVivo software. The findings of the present study are presented in the next chapter.

6 Chapter 6: FINDINGS

This chapter presents the findings of this study and it is divided into seven sections. The first section reports the demographics of participants and the background of their organisations. The second section presents findings regarding proposition 1 (FMNE subsidiaries investment in human resource development and training programmes for developing knowledge and skills of local managers). The third section provides the findings about the proposition 2 (FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons). The fourth section reports the findings about proposition 3 (spillovers: Human skills and knowledge transfer to local organisations). The fifth section comprises the findings about proposition 4 (Human capital related impacts on local organisations). The sixth section presents the findings about proposition 5 (IFDI contributions in local human capital development in developing countries). The seventh section presents a summary of the findings presented in this chapter.

6.1 Participants' demographics and organisations' background

Participating organisations include three FMNE subsidiaries (one from the USA and 2 from the UK) and three local organisations, which were from the KSA (Table 6-1).

The interviewees comprised 24 managers (21 male and 3 female) (Table 6-1). Of three female managers, two were working for FMNE subsidiaries and one was currently working for a local organisation but she had moved from a FMNE subsidiary. Fifty percent (n=12) of total participants were working in FMNE subsidiaries (n=3) and the same number of the participants were working in local organisations (n=3) in the KSA (Table 6-1). The business sector of all participating organisations was the services sector while the type of industry included telecommunications (2 organisations), information

technology (one organisation), training and development (one organisation), operations and services (one organisation) and banking (one organisation).

Table 6-1 Participants and organisational affiliation

Participant ID	Type of manager	Current position / gender and age	Name of organisation/BS	Type of organisation
F1M1	FMNE manager	Senior VP (male, age: 58 years).	Oracle Systems Limited – Saudi Arabia I = (Information technology)	FMNE Subsidiary Source country: United states of America.
F1M2	FMNE manager	Director Management and Country Leader (male, age: 40 years).		
F1M3	FMNE manager	Director of Business Development and Strategic Planning (female, age: 30 years).		
F1M4	FMNE manager	Manager HR (female, age: 29 years).		
F2M1	FMNE manager	Director HR, Learning and Development and Talent Management Programmes (male, age: 40 years).	BAE Systems Saudi Arabia I = Operations and services	FMNE Subsidiary Source country: United Kingdom
F2M2	FMNE manager	Director HR for Services and Chairman of Operation Board (male, age: 41 years).		
F2M3	FMNE manager	VP Human Resource Development (male, age: 59 years).		
F2M4*	FMNE manager	Manager Strategic and Planning (male, age: 47 years).		
F3M1	FMNE manager	CEO (male, age: 40 years).	Saudi Development and Training Company I = (Training and development)	FMNE Subsidiary Source country: United Kingdom
F3M2	FMNE manager	VP HR and Project Programmes (male, age: 43 years).		
F3M3	FMNE manager	Director Eastern Region in Saudi Arabia (male, age: 58 years).		
F3M4	FMNE manager	Director of Public Relations and Communications (male, age: 39 years).		
L1M1†	Mobile manager	Director Networks and Manager of Consultation Services Department (male, age: 35 years).	Saudi Telecom Company I = (Telecommunication)	Local organisation Source country: KSA
L1M2†	Mobile manager	Senior Manager Women's Section in Consumer Insight Department (female, age: 32 years).		
L1M3	Local org. manager	Director of Consumer Insights (male, age: 36 years).		
L1M4	Local org. manager	VP Business Units (male, age: 50 years).		
L2M1†	Mobile manager	Director Business Planning and Development (male, age: 47 years).	Etihad Etisalat Company (known as Mobily) I = (Telecommunication)	Local organisation Source country: KSA
L2M2†	Mobile manager	VP Technical and Radio Spectrum Regulations (male, age: 42 years).		
L2M3	Local org. manager	VP Human Resource Development for Learning and Development (male, age: 39 years).		
L2M4	Local org. manager	VP Human Resource Development for Talent Management (male, age: 40 years).		
L3M1†	Mobile manager	Regional Manager Sales Division (male, age: 38 years).	Alinma Bank I = (Banking)	Local organisation Source country: KSA
L3M2†	Mobile manager	Director Human Resource Development for IT and Applications (male, age: 35 years).		
L3M3	Local org. manager	Head of Sales Division (male, age: 49 years)		
L3M4	Local org. manager	VP Human Resource Development (male, age: 48 years).		

F= FMNE Subsidiary; M = Manager; L= Local organisation; I= Industry, *British national; †Mobile local manager (moved from FMNE subsidiary to local organisation).

For participants working at the FMNE subsidiaries, the length of service reported was between 1 year and 20 years while the average length of service was 7.2 years. The length of service for participants working in local organisations ranged from 1 year to 16 years with average length of service as 5.8 years.

The participants' current positions (Table 6-2) showed that most of the participants were working at senior positions such as CEOs, VPs, directors and senior managers in both the FMNE subsidiaries and the local organisations.

Table 6-2 Current position of participants

Type	Organisations			
	FMNE subsidiaries	Local organisations		
Current position of participant	<i>Managers</i>	<i>Managers</i>	<i>Mobile managers (who moved from FMNE subsidiaries to local organisations)</i>	
			Current position in local organisation	Previous positions in FMNE subsidiary
CEO	1			
Senior VP	1			
VP	3	4	1	
Director	5	1	3	2
Senior manager	2	1	2	
Manager				3
Project officer				1

Table 6-3 shows a comparison of positions held by mobile local managers at FMNE subsidiaries and local organisations. The comparison of previous and present positions showed that mobile local managers were currently working at senior positions in local organisations compared to their previous positions in FMNE subsidiaries.

Table 6-3 Mobile managers' previous positions in FMNE subsidiaries and current positions in local organisations

Participant ID	Previous position in FMNE subsidiary	Present position in local organisation
LIM1	Manager Management Software	Director Networks and Manager of Consultation Services Department
L1M2	Manager Business Operations	Senior Manager Women's Section in Consumer Insight Department
L2M1	Manager Project Implementation	Director Business Planning and Development
L2M2	Project Officer	VP* Technical and Radio Spectrum Regulations
L3M1	Director Sales Department	Regional Manager Sales Division
L3M2	Director Sales and Consultation Services	Director of Human Resource Development for IT and Applications

*Reached to this position after 10 years of service in the local organisation

The findings are divided according to the propositions 1-5 made in the conceptual framework (Figure 4-3) and presented in the following sections.

6.2 Proposition 1. FMNE subsidiaries investment in HRD&T programmes for developing knowledge and skills of local managers

This section reports the findings in relation to proposition P1: FMNE subsidiaries investment in human resource development and training programmes for developing knowledge and skills of local managers in the host country (Figure 4-3). A summary of sub-themes and themes about proposition 1 is shown in Figure I and II (Appendix 7). This section is subdivided in to five subsections based on five themes that include the reasons, types, location, duration and impacts of FMNE subsidiaries' human resource development and training programmes for local managers. These findings are presented below.

6.2.1 *Reasons of FMNE subsidiaries' human resource development and training programmes*

FMNE managers based at each participating FMNE subsidiary reported that they provide human resource development and training programmes for developing knowledge and skills (K&S) of local managers in the KSA. The participants reported that training programmes for local managers were provided for various reasons: filling the knowledge and skills gap and developing competencies, meeting employee needs and organisational business needs, long term planning, training programmes as an investment in human capital, training and development needs identified in performance development review, providing more learning opportunities for becoming successful managers and preparing local managers for higher positions (Table 6-4).

Table 6-4 Reasons of FMNE subsidiaries' training programmes for local managers

Theme 1: Reasons of FMNE subsidiaries' training programmes for local managers	
Sub-theme	Representative direct quotes
Filling the knowledge and skills gap and developing competencies	<i>We have a gap in finding suitable people for some positions so we provide these high value training. Thus, we develop competencies of local managers. (F3M4)</i> <i>We develop and train the local managers... We have a competencies framework for every manager, which depends on their locations and their grades. (F2M1))</i>
Meeting employee needs and organisational business needs	<i>In our organisation, the main strategy for T&D of local managers always depends on their abilities, positions and what they need and what the business needs. (F2M1)</i>
Long term planning	<i>We develop a training and development plan for long-term period of five years, which reduces the costs. (F1M3)</i>
Human resource development and training programmes as an investment in human capital	<i>Training programmes are an investment, which varies from one manager to another. All managers are subject to training depending on their abilities. There is a plan to develop their knowledge and skills. (F1M1)</i>
Training and development needs identified in performance development review	<i>Training programmes depend on the needs and objectives of job and gaps of skills. Our organization links performance evaluation reports with human resource development and training programmes. (F3M4)</i>

Providing more learning opportunities for becoming successful managers	<i>The strategy in our organisation is easy and clear by giving local managers more opportunities in training programmes. We establish a long-term plan for junior staff to become successful managers. (F1M2)</i>
Preparing local managers for higher positions	<i>Strategies depend on preparing Saudis (managers) through ... training programmes to replace non-Saudi managers at important positions in the company. (F2M3)</i>

6.2.2 *Types of FMNE subsidiaries' human resource development and training programmes for local managers*

The findings showed that FMNE subsidiaries provided different types of human resource development and training programmes for local managers in the KSA. These programmes included soft skills development training programmes, functional and technical training programmes, talent management training programmes and special training programmes for dealing with complex projects and programmes for managers supervising staff (Table 6-5).

Table 6-5 Types of FMNE Subsidiaries' training programmes for local managers

Theme 2: Types of FMNE Subsidiaries' training programmes for local managers	
Sub-theme	Representative direct quotes
Soft skills development training programmes	<i>Soft skills, which the managers need for day to day activities. (F2M1)</i> <i>There is another training to improve soft skills. These kinds of training make their performance very advanced and involve presentation skills, speaking, communication and persuasion. (F1M2)</i>
Functional and technical training programmes	<i>Under our function competencies development framework, each function has a special training programme and training depends on the manager's function. Each department has a special programme called developing you (DY) programme. For example, project management department has a project management developing you (PDY) and human resource development has a HR developing you and so on. (F2M1)</i>
Talent management training programmes	<i>In our organisation, T&D programmes for our staff include the Talent development programme for the executive's level (majority overseas) and T&D programme for senior positions such as leadership and sales skills. (F1M3)</i>

	<i>We provide the first line managers (FLM) training programme, which is for new managers who need to prepare as line managers. We have talent management programmes such as Mustakbal (Future) programme that creates future managers and executives. (F2M1)</i>
Special training programmes for dealing with complex projects	<i>We are doing special training programmes for the managers leading complex projects (LCP). Overall, the target of these programmes is the executive managers focusing on how these projects become useful for the organisation. (F3M2)</i>
Programmes for managers supervising staff	<i>There are training programmes ... targeted at all managers and focused on how they can manage and deliver other people and staff. Also ... for supervisors who have staff under their management. (F2M1)</i>

The findings showed that soft skills included making presentations, public speaking, and communication skills and persuasion skills of local managers working in FME subsidiaries. The soft skills development programmes were for dealing with the daily work activities. The findings regarding functional and technical training programmes showed that FMNE subsidiaries provided specific training that was dependent on the manager's job function, business and technology used as well as the needs assessment in the performance reviews (Table 6-5). Regarding the talent management training programmes, the findings revealed that there were different training programmes such as first line managers training programme for new line managers and the Mustakbal programme (the Future programme) for preparing highly capable and performance oriented mid-level local managers to become executives in the future. The findings showed the FMNE subsidiaries also provided training programmes that were for senior managers who were working on complex projects. The data also showed that FMNE subsidiaries training programmes included training programmes for managers who had staff supervision and management responsibilities (Table 6-5).

6.2.3 Location of FMNE subsidiaries' human resource development and training programmes for local managers

The findings revealed that FMNE subsidiaries provided human resource development and training programmes for local managers inside and outside of the KSA. The findings showed that most of the training programmes were held locally by the FMNE subsidiaries and involved on the job training. However, the advanced training programmes were held overseas in developed countries such as in the UK and USA (Table 6-6).

Table 6-6 Location of FMNE Subsidiaries' training programmes for local managers

Theme 3: Location of FMNE Subsidiaries' training programmes for local managers	
Sub-theme	Representative direct quotes
Inside the host country	<p><i>We have training centres for T&D programme in every country where our organisation has a subsidiary. (F1M3)</i></p> <p><i>The majority of these programmes are held in the company in the KSA. (F2M1)</i></p> <p><i>The 80% of these programmes are in the company's head office in the KSA. (F1M2)</i></p>
On the job - locally	<p><i>Most of training programmes in the FMNE subsidiary were on the job training. (L2M1)</i></p>
Overseas – in other countries	<p><i>The advanced programmes usually focusing on leadership are arranged in the USA, the UK and Europe. Most of the Executives and Talent management programmes are in universities and business schools in the USA ad Europe. (F1M1)</i></p> <p><i>The talent management programmes for directors, senior managers and above positions are provided globally around the world, especially in the UK. (F3M3)</i></p>

6.2.4 Duration of FMNE subsidiaries' human resource development and training programmes for local managers

Findings regarding the duration of FMNE subsidiaries' human resource development and training programmes for local managers showed that their duration varied from one day to two years depending on the type and nature of the course as well as position of the

managers attending the training programme. Broadly, these training programmes included both the short-term and the long-term programmes. The duration of short-term training programmes was between one day and several weeks and duration for the long-term training programmes was up to 12 months, 18 months and 24 months (Table 6-7).

Table 6-7 Duration of FMNE Subsidiaries' training programmes for local managers

Theme 4: Duration of FMNE Subsidiaries' training programmes for local managers	
Sub-theme	Representative direct quotes
Short-term training programmes	<i>We have many courses for the managers. For example, how you can solve conflict (one day), negotiations with customers (one day) ... and customers' need analysis programme for 2 to 3 days. (F1M3)</i>
Long-term training programmes	<i>For MBA Executives programme, our organisation chose six VPs from around the world and I was one of them. This program was for 2 years at the University of Edinburgh. (F1M1)</i> <i>We are doing special training programmes for the managers in our company leading complex projects (LCP). This programme is for 18 months at the University of Manchester in England. (F3M2)</i>

6.2.5 Impacts of FMNE subsidiaries' human resource development and training programmes for local managers

The findings showed that FMNE subsidiaries' human resource development and training programmes for local managers had impacts on FMNE subsidiaries and impacts on local managers who attended these training programmes (Table 6-8). The impact on FMNE subsidiaries included increased productivity, change in working culture, creation of new ideas and new concepts, increased performance and sharing of knowledge. The impacts on local managers included increased performance, advancement in creative abilities, increased understanding of business, team management, interaction with other experts, knowledge of the work environment, enhanced ability to deal with different (work) cultures, increase in motivation and commitment to the work, and more performance and achievements (Table 6-8).

Table 6-8 Impacts of FMNE Subsidiaries' training programmes for local managers

Theme 5: Impacts of FMNE Subsidiaries' training programmes for local managers	
Sub-theme	Representative direct quotes
Impacts on FMNE subsidiaries	<p><i>Increase the productivity level, change in working culture, new ideas, and new concepts, increase performance and increase the production and productivity. (F2M4)</i></p> <p><i>There is knowledge transfer, knowledge share and knowledge management to all the staff. (F2M1)</i></p> <p><i>During training programmes, local managers meet with other experts and staff from other companies, which increases their abilities to create new ideas for the company. (F3M2)</i></p>
Impacts on local managers	<p><i>Increase performance and creative abilities of the local managers become more advanced and strong. Administration performance is increased. They can understand self; understand business and manage the team. (F2M1)</i></p> <p><i>The impact is excellent and very useful. It involves interaction, knowing the work environment, opening the way to practice and gaining know and how from them. The development involved many things such as ability to deal with different (work) cultures such as Japanese, Chinese and Europeans. (L1M2)</i></p> <p><i>I have noticed that after these training programmes local managers have become more motivated to work and have commitment to the work, performance and achievement. (F3M4)</i></p> <p><i>The local managers who moved from our organisation ... got high positions in local organisations. (F3M2)</i></p>

The finding showed that FMNE subsidiaries' human resource development and training programmes for local managers had different types of positive impacts on FMNE subsidiaries and local managers. These impacts can be categorised as impacts on employee / staff, impacts on organisational business, impacts on customers and impacts on the workplace (Table 6-9).

Table 6-9 Categories of impacts of FMNE subsidiaries' human resource development and training programmes for local managers

Category	Impacts on FMNE subsidiaries	Impacts on Local managers	
	<i>FMNE subsidiaries' perspectives</i>	<i>FMNE subsidiaries' perspectives</i>	<i>Local managers' perspectives</i>
Employee / staff	Increased knowledge transfer and sharing to other staff	Developed knowledge, skills and abilities	Improved skills
	Enhanced capabilities of staff and managers	Increased abilities and competence	Improved abilities
	Increased engagement of local managers	Enhanced motivation, commitment and achievements	Developed work foundations
	Greater understanding of organisation's vision and goals	Increased intrapreneurial, HRM and English and business languages skills	Increased understanding of work, rights and responsibilities
	Enhanced employee confidence	Increased career progression and promotion potential	
Organisational business	Increased performance and productivity	Increased performance	Increased performance
	Creation of new ideas and solutions		Getting opportunities for innovation, creation and problem solution
	Improved organisational management, governance and processes		
	Enhanced organisational effectiveness		
	Readiness for staff turnover		
Customers	Enhanced customer satisfaction	Development of customer relationship skills	
Workplace	Positive intellectual interaction between staff and managers	Interaction with foreign experts	Increased interaction with senior managers and diverse work cultures

6.3 Proposition 2: FMNE s trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons

The findings showed that there were various reasons of FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations in the KSA. These reasons were identified under four broad theme i.e. monetary / financial benefits, career progression reasons, individual preferences and requirements, and job and organisation related reasons. A summary of sub-themes and themes about the reasons of FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations is shown in Figure III (Appendix 7). These findings are presented below.

6.3.1 Financial / monetary benefits

The findings showed that the financial / monetary benefits were one of the main reasons for local managers' mobility from FMNE subsidiaries to local organisations in the KSA. These financial reasons of local managers' mobility included higher salary in local organisations and a good package (Table 6-10).

Table 6-10 Financial / monetary benefits as reasons of FMNE subsidiary trained local managers' mobility to local organisations

Theme 1. Financial / monetary benefits	
Sub-theme	Representative direct quotes
Financial benefits	<p><i>In FMNE subsidiary, salary, fees for children's education, house allowance, bonus and medical insurance. In local organisation, the salary, bonus and medical insurance. (L1M1)</i></p> <p><i>In the local organisation, there is salary, bonus, children education and medical Insurance but in the FMNE subsidiary, there is only salary and medical insurance. (L2M1)</i></p> <p><i>Salary, bonus, compensation for the education of the children and gym in the FMNE subsidiary and there is salary, bonus, compensation for the education of the children and saving programmes in the local organisation. (L3M1)</i></p>
Higher salary in local organisations	<p><i>More than 90% of local managers who moved from FMNE subsidiaries to local organisations got more salary. (F1M2)</i></p> <p><i>The other reason could be a higher salary... (F1M3)</i></p> <p><i>My salary increased by 50%. (L2M1)</i></p>

The findings also showed that the financial benefits at FMNE subsidiaries and local organisations comprised different benefits (Table 6-11).

Table 6-11 Financial benefits in FMNE subsidiaries and local organisations

Financial benefits	Participants ID	
	FMNE subsidiaries	Local organisations
Salary	L1M1, L1M2, L2M1, L2M2, L3M1, L3M2	L1M1, L1M2, L2M1, L2M2, L3M1, L3M2
House allowance	L1M1	L1M2
Medical insurance	L1M1, L1M2, L2M1, L2M2	L1M1, L1M2, L2M1, L2M2,
Bonus*	L1M1, L1M2, L3M1, L3M2	L1M1, L2M1, L2M2, L3M1, L3M2
Compensation for children's education / Education fees	L1M1, L1M2, L3M1, L3M2	L2M1, L2M2, L3M1, L3M2
Shares in the parent company**	L1M2	
Gym facilities	L3M1, L3M2	
Saving schemes		L3M1, L3M2

* Only for sales department employees, ** only for VPs.

6.3.2 Career progression

The findings showed that career progression was one of the major reasons for local managers' mobility from FMNE subsidiaries to local organisations in the KSA. The participants linked career progression with the availability of more career opportunities, better career opportunities and progression, faster promotions and getting higher positions in local organisations compared to FMNE subsidiaries where there was a lack of promotion opportunities / chances (Table 6-12).

Table 6-12 Career progression as a reason of FMNE subsidiary trained local managers' mobility to local organisations

Theme 2. Career progression	
Sub-theme	Representative direct quotes
Lack of promotion opportunities in FMNE subsidiaries	<i>There was no promotion in the FMNE subsidiary because this organisation came to the KSA on the project basis. (L2M2)</i>
Better career opportunities and progression in local	<i>Local managers moved to local organisations because they found progression in the career. (F1M2)</i>

organisations	<i>A good career opportunity in the local organisation. (L2M1)</i>
Getting higher positions in local organisations	<i>I was a project officer [in the FMNE subsidiary] and I became senior manager in the local organisation. (L2M2)</i> <i>I became senior manager - deputy VP of human resource development [in the local organisation]. (L3M2)</i>
Faster promotion possibilities in local organisations	<i>My current post [in the local organisation] is very close to my position in FMNE subsidiary but the possibility of the promotion is faster. (L1M1)</i>

The findings revealed that most of the local mobile managers actually got higher position subsequent to their mobility to local organisations (Table 6-13).

Table 6-13 Local mobile managers' previous positions in FMNE subsidiaries and current positions in local organisations

Participant ID	Previous position in FMNE subsidiary	Present position in local organisation
L1M1	Manager	Director
L1M2	Manager	Senior manager
L2M1	Manager	Director
L2M2	Project officer	Vice President*
L3M1	Director	Regional Manager
L3M2	Director	Director

*After 10 years of service in the local organisation; Source: Researcher.

6.3.3 Other reasons

The findings showed that apart from the financial and career related reasons there are some other reasons of FMNE subsidiaries trained local managers' mobility to local organisations. The other reasons comprised three categories i.e. individual preferences and requirements, job and organisation related reasons and social reasons (Table 6-14). The personal preferences and requirements included making a balance between work and family life, avoiding work pressure at FMNE subsidiaries and perceived availability of more human resource development and training programmes at local organisations. The job and organisation related reasons comprised job stability and security and the location

of the organisation. The social reasons included getting a higher position and thereby having more authority and power as well as the social impact of the higher position.

Table 6-14 other reasons of FMNE subsidiary trained local managers’ mobility to local organisations

Theme 3. Other reasons	
Sub-theme	Representative direct quotes
Individual preferences and requirements	<p><i>For local female managers, a balance between the work and family life is the main reason for moving from a FMNE subsidiary to a local organisation in the KSA. I am a Saudi female and I will look to this side from my perspective such as children care and working time. In FMNE subsidiaries, there is working pressure, ... targets and KPIs. However, in local organisations, working processes and the achievement is easier than in FMNE subsidiaries (F1M3)</i></p> <p><i>I moved to local organisation because there were no suitable human resource development and training programmes after the first year. (L2M2)</i></p>
Job and organisation related reasons	<p><i>Some local managers moved because of the higher job stability and security in local organisations. (F1M2)</i></p> <p><i>In addition, the location of FMNE or local organisation. (F2M3)</i></p>
Social reasons	<p><i>My position in this local organisation has more authority and power (L1M2).</i></p> <p><i>I mean the position, which gives me more authority. (F1M3)</i></p> <p><i>The reasons are career opportunity that involves a good authority and the package. (F3M4)</i></p>

6.4 Proposition 3. Spillovers: Human skills and knowledge transfer to local organisations

The findings revealed various types of spillovers due to local managers’ mobility from FMNE subsidiaries to local organisations include transfer of knowledge and skills, advancement of professional capabilities, introduction of new work culture and behaviours, transfer of business processes and development and application of intrapreneurial skills to local organisations (Table 6-15). A summary of sub-themes and

themes about the human skills and knowledge transfer related spillovers to local organisations is shown in Figure IV in Appendix 7. These findings are reported below.

6.4.1 Transfer of knowledge and skills

The findings showed human skills and knowledge transfer to local organisations is one of the main spillovers due to the mobility of trained local managers from FMNE subsidiaries to local organisations (Table 6-15). In addition, the findings revealed that trained local managers transfer knowledge and skills when they move from FMNE subsidiaries to local organisations. Consequently, there is improvement in knowledge and skills of other staff in local organisations. The findings also showed that local mobile manager shared their knowledge, skills and experiences with their staff and colleagues in local organisations.

6.4.2 Advancement of professional capabilities

Findings showed that advancement of professional capabilities in local organisations was one of the main spillovers because of trained local managers' mobility from FMNE subsidiaries to local organisations. The advancement of professional capabilities included improving business strategies, creating new business ideas, developing big projects, winning big contracts, and developing advanced programmes and frameworks for specialised programmes and developing the programme execution processes in local organisations (Table 6-15).

6.4.3 Introduction of new work culture and behaviours

The findings showed that trained local managers' mobility results in spillovers that include introduction of working cultures of FMNE subsidiaries that focus on discipline, commitment, productivity and tasks rather than the focus only on the time management that is mostly commonly practiced in local organisations in developing countries (Table 6-15). The findings also revealed that the FMNE subsidiaries trained local managers

could transfer FMNE subsidiaries working behaviours such as strategic planning and foreign company culture to local organisations.

6.4.4 Transfer of business processes

The findings showed that the transfer of business processes of FMNE subsidiaries to local organisations was another spillover due to the mobility of trained local managers from FMNE subsidiaries to local organisations. The findings revealed that trained local managers learn business processes of global organisations get training on global standards and interact with other staff from different work cultures and experiences at FMNE subsidiaries. Mobility of these trained local managers to local organisations results in the transfer FMNE subsidiaries’ business processes, strategic planning and culture to local organisations (Table 6-15).

6.4.5 Development of intrapreneurial skills

The findings showed that local managers develop intrapreneurial skills at FMNE subsidiaries. The mobility of trained local managers from FMNE subsidiaries to local organisations results in transfer and application of intrapreneurial skills at local organisations in the host developing countries (Table 6-15).

Table 6-15 Spillovers: Human skills and knowledge transfer to local organisations

Theme: Human skills and knowledge transfer spillovers	
Sub-themes	Representative direct quotes
Transfer of knowledge and skills	<p><i>FMNE subsidiaries provide a lot of human resource development and training programmes to local managers and when they move to local organisations they take the knowledge and skills that can have impacts on local organisations and on the local staff (F2M2)</i></p> <p><i>We find local managers who moved to local organisations have high skills and knowledge, which can have a significant impact on local organisations and on local staff. (L3M4)</i></p> <p><i>Our VP of human resource development came from a FMNE subsidiary. He has a high knowledge, skills, and leadership skills. We always learn from his methods in meetings and problems solutions. (L3M2)</i></p>

<p>Advancement of professional capabilities</p>	<p><i>When local managers move from a FMNE subsidiary to a local organisation, they help local organisations in many things such as improving the business strategy and creating new business ideas. (FIM4)</i></p> <p><i>I have established a new department for big projects and business. I could create big contracts to establish smart cities in the KSA. Actually, I got big contracts such as our project with Yanbu Industrial city and King Abdullah Economic city. I gave ideas on all these projects to the top the management. (L2M1)</i></p> <p><i>I know some local managers who came from FMNE subsidiary to our organisation. For example, our manager in human resource development he can develop programmes in HR, build frameworks for development of talent management programmes, develop the processes in human resource development, develop the execution processes, and develop training programmes of leadership. (L2M4)</i></p>
<p>Introduction of new working culture and behaviours</p>	<p><i>FMNE subsidiaries bring another working culture, which is completely different from local working culture such as commitment and discipline and consideration of productivity more than looking at the time commitment. (FIM1)</i></p> <p><i>When a local manager moves from the FMNE subsidiary to a local organisation, s/he transfers the work culture of foreign companies to local organisations promoting a culture of participation and team spirit, creating creative thinking among colleagues and staff and killing the fear and encouraging entrepreneurship. (LIM1)</i></p> <p><i>When local managers move from a FMNE subsidiary to a local organisation, they help local organisations in spreading the culture of foreign companies. (FIM4)</i></p>
<p>Transfer of business processes</p>	<p><i>Local managers can improve business strategy of local organisations by applying and spreading foreign companies' business processes and cultures. (FIM4)</i></p> <p><i>In FMNE subsidiaries, local managers learn business processes of global organisations, get training on global standards and interact with [other staff from] different work cultures and experiences. Local managers can transfer these business processes, knowledge and skills, and experiences to other Saudi staff [in local organisations]. (L3M2)</i></p>
<p>Development and application of intrapreneurial skills</p>	<p><i>There are other things such as the key concepts, key ideas and intrapreneurial skills, which local managers develop and apply at the workplace. (FIM3)</i></p>

6.5 Proposition 4: Human capital related impacts on local organisations

The findings showed that spillovers of FMNE subsidiaries trained local managers' mobility to local organisations lead to a number of human capital related impacts on local organisations. These impacts include increased productivity, upgrading of

management skills, availability of intrapreneurial skills and other human capital related impacts such as changes in work behaviours, ethics and culture, promotion of creative thinking, transfer of business processes of FMNE subsidiaries and improvement in capabilities and performance in local organisations (Table 6-16). A summary of subthemes and themes about human capital related impacts on local organisations due to local managers' mobility from FMNE subsidiaries to local organisations is shown in Figure V in Appendix 7. These impacts on local organisations as reported below.

6.5.1 Increased productivity

The findings showed that productivity of local organisations increases due to the mobility of trained local managers who have advanced professional capabilities and higher performance (Table 6-16).

6.5.2 Upgrading of management skills

The findings also showed that there is upgrading of management skills in local organisations due to the mobility of trained local managers from FMNE subsidiaries to local organisations. The findings revealed that local mobile managers have highly developed knowledge and skills such as management skills, which are disseminated to local organisations when they move from FMNE subsidiaries to local organisations and trickling of these advanced management skills continues to other local organisations and their staff due to the staff turnover.

Table 6-16 Human capital related impacts on local organisations

Theme: Human capital related impacts on local organisations	
Sub-themes	Representative direct quotes
Increased productivity	<i>FMNE subsidiaries are very good in building capabilities and they have excellent plans for that. The outcomes of these programmes are very good such as increased performance leading to increased productivity. These skills transfer to local organisations when local managers join us. (L3M4)</i>

Upgrading of management skills	<p><i>When local managers move to local organisations, we find they have high knowledge and skills such as management skills, which can have a significant impact on local organisations and local staff. (L3M4)</i></p> <p><i>The local managers who moved from FMNE subsidiaries transferred their knowledge and management skills to other local managers and to their staff. In addition, some of the staff and local managers moved to other local organisations and took these knowledge and skills with them. (L2M4)</i></p>
Availability of intrapreneurial skills	<p><i>There are other things such as key concepts, key ideas and intrapreneurial skills, which local managers develop and apply at the workplace. (F1M3)</i></p> <p><i>When a local manager moves from the FMNE subsidiary to a local organisation, he kills the fear and encourages intrapreneurship. (L1M1)</i></p>
Other human capital related impacts	
Changes in work behaviours, ethics and culture	<p><i>When local manager moves from the FMNE subsidiary to a local organisation, he takes with him his performance and production, promotes a culture of participation and team spirit, and transfers work culture of foreign companies to local organisations. (L1M1)</i></p>
Promotion of creative thinking	<p><i>When a local manager moves from the FMNE subsidiary to a local organisation, he supports creative thinking among colleagues and staff. (L1M1)</i></p>
Transfer of business processes of FMNE subsidiaries	<p><i>In FMNE subsidiaries, local managers learn standard process of global organisations, which are based on the justice, transparency, clarity, commitment to work, policy development and clarify procedures. Local managers can transfer these business processes, procedures and experiences to local Saudi staff [in local organisations]. (L3M2)</i></p>
Improvement in capabilities and performance	<p><i>Some of FMNE subsidiaries contribute in building capabilities of local managers through their human resource development and training programmes ...and [their] outcomes are very good. (L3M4)</i></p> <p><i>Our manager in human resource development who came from a FMNE subsidiary, he can develop programmes in HR, build frameworks for talent management programmes, develop the processes in human resource development, develop the execution processes, and develop training programmes of leadership. (L2M4)</i></p> <p><i>I have established a new department for big projects and business. I [have] got big contracts to establish smart cities in the KSA such as our project with Yanbu Industrial city and King Abdullah Economic city. In all these projects, I gave ideas to the top the management. (L2M1)</i></p>

6.5.3 Availability of intrapreneurial skills

The findings revealed that FMNE subsidiaries trained local managers have intrapreneurial skills, which become available to local organisations when these trained

local managers move from FMNE subsidiaries to local organisations. In addition, local mobile managers encourage intrapreneurship at local organisations.

6.5.4 Other human capital related impacts

The findings showed that there were some other human capital related impacts on local organisations due to trained local managers' mobility from FMNE subsidiaries to local organisations. These other impacts include changes in work behaviour, ethics and culture, promotion of creative thinking, introduction and adoption of business processes of FMNE subsidiaries, and improvement in capabilities and performance (Table 6-16).

The findings showed that local managers practice and promote work behaviours, ethics and culture learned at FMNE subsidiaries and their mobility from FMNE subsidiaries to local organisations results in changes in work behaviours, ethics and culture at local organisations. The findings also showed that local mobile managers develop, promote and support creative thinking in local organisations. The mobility of local managers leads to the introduction and adoption of FMNE subsidiaries' business processes by local organisations. The findings also revealed that capabilities and performance of local organisations are improved due to the mobility of FMNE subsidiaries trained local managers who have advanced knowledge and skills and capabilities.

6.6 Proposition 5: IFDI contributions in local HCD in host developing countries

The findings showed that IFDI results in several contributions in local human capital development through FMNE subsidiaries in the host developing country (Table 6-17). In addition, the findings showed several suggestions for enhancing IFDI contributions in local human capital development that included various actions to be taken by the key stakeholders i.e. FMNE subsidiaries, host country government, local mobile managers, local organisations and local institutions such as universities in the host developing

country (Table 6-18). The findings regarding the types of contributions of IFDI in local human capital development are reported in the following section.

6.6.1 Types of IFDI contributions in local human capital development in developing countries

The findings showed that IFDI has several types of contributions in local human capital development in host developing countries. These contributions include development of knowledge and skills of local managers, development of local leadership, development of professional capabilities, improvement of performance, training and internship of new graduates, partnerships with universities for training local graduates, training and development of staff in government and local organisations, targeted local human capital development in specific business areas, and human capital development and employment of locals (Table 6-17).

The findings showed that the development of knowledge and skills of local managers was one of the key contributions of IFDI in local human capital development in the host developing country. In this regard, the findings showed that FMNE subsidiaries invest in human resource development and training programmes for filling the gap in the knowledge and skills of local managers. It was also found that FMNE subsidiaries bring knowledge and skills and develop local leaders in the host developing country. The findings also showed that IFDI plays a major role in development of advanced professional capabilities among local managers through FMNE subsidiaries' human resource development and training programmes in the host developing country.

Table 6-17 Types of IFDI contributions in local human capital development in developing countries

Theme 1. Types of IFDI contributions in local human capital development	
Sub-themes	Representative direct quotes
Development K&S of locals managers	<i>The majority of FMNE subsidiaries contribute in development of HC in the KSA. (L1M4)</i> <i>FMNE subsidiaries invest a lot in the local staff ...and in training programmes. They invest in the development of (local) human capital. (L3M3)</i>
Development of local leadership	<i>FMNE subsidiaries through their subsidiaries have brought knowledge and skills and have built [local] leaders. (F1M1)</i>
Development of professional capabilities	<i>I know a local manager in human resource development in our organisation who came from a FMNE subsidiary. This manager has capabilities in developing programmes in HR, building frameworks for development of talent management programmes, developing the processes in human resource development, developing the execution processes, and developing training programmes of leadership. (L2M4)</i>
Improvement of performance	<i>Some of FMNE subsidiaries can contribute in improving continuous outstanding performance because their programmes of building capabilities are very good and they have excellent plans; hence, the outcomes are very good. (L3M4)</i>
Training and internship of new graduates	<i>We have a programme called the graduate scheme for fresh graduate. We train them and then hire them in the company and we have scholarships for overseas training also. (F2M2)</i> <i>For training and development programmes for fresh graduates, we choose 12 to 15 graduates in different fields such as HR, information systems, database development and finance. The target of these programmes is to prepare the youth for the labour market. We give them training, especially on the job training and hire them in the organisation. (F1M3)</i> <i>We provide training to fresh graduates for 2 years, and then hire them in the company. We have partnership programmes for final year university students and technical programmes after completion of high school for creating technicians. (F2M3)</i>
Partnerships for training local graduates	<i>We have a collaborative programme in partnership with some Saudis universities. This programme has two parts. In the first part, we choose students from universities and they work in our organisation for six months. This programme is every six months. In the second part of this programme, we choose 15 fresh graduate students every year and give them opportunity to work in different departments in our organisation with full salary and we provide them training. (F1M3)</i>
T&D of staff in government and local organisations	<i>We provide T&D programme for private customers and organisations as well as for government organisations. (F1M3)</i>

<p>Targeted local human capital development in specific business areas</p>	<p><i>All the multinational banks in the KSA have T& D programmes for fresh graduates from universities and then they hire them in these banks. This programme is called future managers. (L3M3)</i></p> <p><i>We have agreements with one famous FMNE subsidiary in the KSA in the IT and telecommunication services for doing human resource development and training programmes for fresh Saudi graduate and then we hire them in our organisation. (L1M3)</i></p>
<p>Human capital development and employment of locals</p>	<p><i>We choose 15 fresh graduate students every year and give them opportunity to work in different departments with full salary and we provide then training. Then, we hire 50% of them in our organisation. (F1M3)</i></p> <p><i>The majority of FMNE subsidiaries contribute in development of human capital in the KSA. When these organisations hire a local manager that means contribution in human capital development. (L1M4) Human resource</i></p> <p><i>Development and training programmes in FMNE subsidiaries are much better than local organisations. (L1M3)</i></p>

In addition, the finding revealed that IFDI contributes in the development of local managers' capabilities such as in developing programmes, frameworks and processes for specific projects as well as supporting them in improving their performance. The findings also showed that IFDI contributes in local human capital development in the host developing country through FMNE subsidiaries' training, internship, scholarships and employment of local fresh graduates in the country. The findings also revealed that IFDI contributes in developing partnerships between FMNE subsidiaries and universities for training local graduates through collaborative programmes that include training with remuneration for local graduates.

Furthermore, the findings showed that IFDI contributes in training and development of employees of government and local private organisations through FMNE subsidiaries' training and development programmes. The findings also showed that IFDI contributes in targeted training and development through FMNE subsidiaries' programmes for development in specific business areas such as human resources, banking and finance,

and information technology (IT). The findings also showed that IFDI contributes not only in the development of local human capital but also in the employment such as training and hiring of local fresh graduates by FMNE subsidiaries. The findings revealed that the participants were of the view that when a FMNE subsidiary hires a local person that means contribution to local human capital development, which was based on their anticipation that the hired person will receive training and development at some point whilst working at the FMNE subsidiary.

A summary of subthemes and themes about IFDI contributions in local human capital in the host country is shown in Figure VI in Appendix 7.

6.6.2 Suggestions for enhancing IFDI contributions in local human capital development in developing countries

The findings showed that the participants made many suggestions for enhancing IFDI contributions in local human capital development in the host developing country. These suggestions included various actions to be taken by the key stakeholders i.e. FMNE subsidiaries, host country government, local mobile managers, local organisations and local institutions such as universities in the host developing country as well as collaboration and cooperation between the key stakeholders. These findings are reported below.

Actions by FMNE subsidiaries

The participants suggested that FMNE subsidiaries could take a number of actions that could enhance IFDI contributions in local human capital development in the host country (Table 6-18). The actions suggested for FMNE subsidiaries included appointment of local Saudi managers at senior positions such as executive positions because the percentage of local managers at these positions is low and these positions are the keys to the know how about the company business. In addition, the mobility of these senior local

managers to local organisations would transfer this knowledge to locals. The next action for FMNE subsidiaries suggested that foreign managers at FMNE subsidiaries could play a significant role in local human capital development; however, they need to be motivated by incentives such as employment for more years. The other suggestion regarding FMNE subsidiaries was Saudisation in top positions in FMNE subsidiaries, which would pave the way for locals to reach to the higher positions in FMNE subsidiaries and lead to human capital development spillovers locally (Table 6-18).

The findings showed that the participants also suggested that opening local centres for the development of products such as software development centres by the FMNE subsidiaries engaged in IT would help in local human capital development. The other action suggested that FMNE subsidiaries should provide T&D programmes especially for the youth such as summer schools and thus contribute in local human capital development under the social responsibility commitment. The findings also suggested that FMNE subsidiaries should hire Saudi youth and place them at their headquarters for a few years. FMNE subsidiaries can hire them when they get some experience. The participants also suggested that FMNE subsidiaries should increase their budget for training and development programmes for local human capital development (Table 6-18).

Table 6-18 Suggested actions for FMNE subsidiaries for enhancing IFDI contributions in local human capital development

Theme 1. Actions by FMNE subsidiaries	
Sub-themes	Representative direct quotes
Employing local managers at senior positions	<i>In our organisation, only 30% executive managers are locals; therefore, it is important to replace the executive positions by local managers. (F2M3)</i> <i>Hiring local managers in the important positions in FMNE subsidiaries in the KSA, which will allow transfer of knowledge and skills and give local managers keys of know and how of these foreign organisations. (F1M4)</i>

<p>Providing incentives to and motivation of Foreign managers at FMNE subsidiaries</p>	<p><i>There is a suggestion that is the foreign managers in FMNE subsidiaries in the KSA should transfer knowledge and skills to local managers and workers. However, we should provide motivations to the foreign managers that could include giving them opportunity in another job if they transfer knowledge and skills to locals. The contract between FMNE subsidiary and foreign employee should include transfer of knowledge and skills to local staff. (F3M1)</i></p>
<p>Saudisation of top positions in FMNE subsidiaries</p>	<p><i>Saudisation programme supports local managers to develop themselves to become executives in the company. (F3M1)</i></p> <p><i>Under Saudisation programmes for high managers or high positions we have started identification of these positions and substitution for local managers who have a good potential and performance. (F3M2)</i></p> <p><i>Focus on Saudisation on quality with quantity but not only quantity. If we want spillover of knowledge and skills, FMNE subsidiaries must hire local managers at the keys positions. (F3M3)</i></p>
<p>Opening local centres for product development</p>	<p><i>FMNE subsidiaries in the KSA should establish development centres such as centres for Software manufacturing by FMNE subsidiaries in the IT industry. When we have centres like these, the training and development of Saudis will be much better because the knowledge and skills and know and how will be near to us. (F1M3)</i></p> <p><i>Establishing local data centres and software development centres in the KSA will be a good way to transfer knowledge, skills and knowhow to local staff such as local managers. (F1M1)</i></p>
<p>Developing local human capital under social responsibility</p>	<p><i>Under their social responsibility commitment, FMNE subsidiaries should provide human resource development and training programmes, summer course involving human resource development and training programmes and cooperative training. (F2M2)</i></p>
<p>Providing placements to Saudi youth at MNEs' headquarters</p>	<p><i>Some FMNE subsidiaries do special programmes for the youth and fresh graduates but if all FMNE subsidiaries do the same thing; then it will be a good contribution. (L1M4)</i></p> <p><i>FMNE subsidiaries that have large contracts in Saudi Arabia should hire Saudi youth at the HQ of their parent companies for two years or more. (L1M3)</i></p>
<p>Increasing budget for human resource development and training programmes</p>	<p><i>They are neglecting the human resource development and training programmes for Saudi employees in FMNE subsidiaries and the private sector. We find that the budget for human resource development and training programmes in some of FMNE subsidiaries is also very little. Therefore, all organisations must increase this budget. (F3M4)</i></p>

Actions by host country government

The findings revealed that participants suggested several steps that the host country government should take for increasing IFDI contributions in local human capital development (Table 6-19). The host country government should take actions for the integration of local human capital development and knowledge and skills development in formal contracts with FMNE subsidiaries when licensing them to work in the country. The participants suggested these steps especially for FMNE subsidiaries that are very big and have increased sales in the last few years and those that got very big contracts in the host country government. In this regard, suggestions included spending of about 25% of the FMNE subsidiary's annual profits on the training and development of locals in the host country because FMNE subsidiaries do not pay sales tax in Saudi Arabia (Table 6-19).

The next action suggested that the host country government should provide incentives to FMNE subsidiaries for local human capital development such as sharing of funds from the Human Resource Development Fund to FMNE subsidiaries that invest in local human capital development and provide human resource development and training programmes for local managers and workers in the country. The findings also showed that the host country should create laws and regulations for promoting and encouraging local human capital development by FMNE subsidiaries.

In addition, the host country government should emphasis on Saudisation in critical positions in FMNE subsidiaries because these were the key and critical positions in FMNE subsidiaries and there were very few locals at these positions. In addition, participants suggested that working of locals at these senior positions would help in transfer of knowledge and skills to local staff. Moreover, the findings showed that the

host country government should develop partnership with FMNE subsidiaries for human capital development (Table 6-19).

Table 6-19 Suggested actions for the host country government for enhancing IFDI contributions in local human capital development

Theme 3. Actions by host country government	
Sub-themes	Representative direct quotes
Integrating local human capital development and knowledge and skills development in FMNE contracts	<p><i>The contracts of IFDI in the KSA do not involve a condition of human resource development and training programmes. Therefore, IFDI Licenses and contracts should put conditions on FMNE subsidiaries in the KSA to do human resource development and training programmes for specific number of Saudi youth. (F1M2)</i></p> <p><i>FMNE subsidiaries in the KSA have big contracts and projects, some of them for billions of dollars, with the government and with some local organisations. Therefore, these FMNE subsidiaries have a duty to the local community through the human resource development and training programmes of young Saudis (fresh graduates, government employees, local organisations' employees, etc.). (L1M3)</i></p> <p><i>The government should impose FMNE subsidiaries, which have big contracts and projects in the KSA, to spend 20% of their profits on human resource development and training programmes for Saudis youth such as fresh graduates. These human resource development and training programmes could be inside FMNE subsidiaries or overseas at their HQs and by special programmes. (L3M2)</i></p>
Providing incentives to FMNE subsidiaries for local human capital development	<p><i>The role of government is important and positive and it has a strong impact on FMNE subsidiaries by imposing them to increase human resource development and training programmes for local workers and managers. (F1M4)</i></p> <p><i>The government can encourage more sharing of human resource development fund (HRDF) for promoting human resource development and training programmes in FMNE subsidiaries. (F2M1)</i></p>
Creating laws and regulations promoting and encouraging local human capital development by FMNE subsidiaries	<p><i>There is a need for creating laws, regulations and legislation that encourage FMNE subsidiaries to train and develop local managers and workers. (F3M4)</i></p> <p><i>The government should sign Memoranda of Understanding with FMNE subsidiaries regarding investment in human capital including employees of government and private organisations and students at universities. (L1M1)</i></p> <p><i>I would like from the government organisations such as the Ministry of Labour to set some policies and laws for the Saudisation in the high positions in FMNE subsidiaries. (L2M1)</i></p>
Emphasising on Saudisation of critical positions in FMNE subsidiaries	<p><i>The Saudi government should impose Saudisation in FMNE subsidiaries, especially in important positions. Therefore, some senior managers and VPs become locals. Because, these positions are key positions, local managers on these positions are rare and the cost of preparing other persons is very high. (F2M3)</i></p>

	<p><i>When we have local managers at the important positions in FMNE subsidiaries, then we can transfer the knowledge and skills that FMNE subsidiaries develop in their local workers and managers and then we can develop human capital in the KSA. (L2M1)</i></p> <p><i>I think what FMNE subsidiaries do is acceptable from foreign organisations but the government should encourage them to fill the key positions by Saudi managers. (L2M4)</i></p>
<p>Developing partnerships for human capital development</p>	<p><i>I would like to speak about the contributions from FMNE subsidiaries in development of human capital in KSA. This mission through partnership between government and FMNE subsidiaries in the KSA. The government should support the FMNE subsidiaries for training locals. The government should help FMNE subsidiaries for preparing important positions for locals because many FMNE subsidiaries do not want to spend money for preparing local staff for important positions. (F2M4)</i></p>

- ***Actions by local managers***

The findings showed that participants suggested IFDI contributions in local human capital development could be enhanced by FMNE subsidiaries trained local managers who could play an important role in local human capital development by taking some actions. For example, local managers working at FME subsidiaries need to do more such as improve their performance, work behaviour and experience and when they move to local organisations then they can contribute in local human capital development. In addition, local managers working at FMNE subsidiaries should establish their associations and disseminate their knowledge, skills and experience about specific methods and policies of FMNE subsidiaries with each other and transfer these to others in the country (Table 6-20).

Table 6-20 Suggested actions for local managers for enhancing IFDI contributions in local human capital development

Theme 2. Actions by local managers	
Sub-themes	Representative direct quotes
Local managers at FMNE subsidiaries needs to do more	<i>Any Saudi manager working at a FMNE subsidiary should follow three things: (1) the high performance (2) the working behaviour (leadership, challenge and attendance) and (3) the experience (giving and taking good experience). When a Saudi manager focuses on these three things, he or she can take benefits from FMNE subsidiaries. In addition, when a Saudi manager moves to any local organisation, he will be a successful manager and will get a high position. (F3M1)</i>
Establishment of an association and sharing of experience	<i>We should establish an association called Association of Saudis Managers in FMNE Subsidiaries in the KSA. The target of this association should be to share the methods and policies about local managers and workers and the best ways to develop them and the ways of transferring knowledge and skills to them. (L2M1)</i>

Actions by local organisations

The findings showed that participants made suggestion that a few actions by local organisations could enhance IFDI contributions in local human capital development in the host country. The suggested actions included local organisations' involvement in vetting of contracts between government and FMNE subsidiaries from the point of view of increasing local human capital development and transfer of know-how from FMNE subsidiaries to locals in the country. The next suggested action included developing partnership between local organisations and FMNE subsidiaries in the implementation of projects in the same sector to ensure knowledge and skills transfer to locals (Table 6-21).

Table 6-21 Suggested actions for local organisations for enhancing IFDI contributions in local human capital development

Theme 4. Actions by local organisations	
Sub-themes	Representative direct quotes
Vetting of contracts between government and FMNE subsidiary	<i>Local companies should have a role in vetting government contracts with FMNE subsidiaries ensuring transfer of required key knowledge to the host country. (F3M3)</i>
Partnership with FMNE subsidiaries in implementing projects	<i>There needs to be a partnership in the project implementation between FMNE subsidiaries and local organisations working in the same sector so some of knowledge and skills remain inside the KSA. (F3M3)</i>

Key stakeholders' collaboration and cooperation

The findings showed that IFDI contributions in local human capital development in the host country could be enhanced by collaboration and cooperation between the key stakeholders, which include the host country government, FMNE subsidiaries, local organisations and local academics institutions in the country. In this regard, suggested actions included exchange programmes for managers between FMNE subsidiaries, host country government and local organisations, which would help in transfer of knowledge and skills to locals. In addition, there was suggestion for the development of a partnership between government organisations and FMNE subsidiaries for local human capital development. The next suggested action included development of partnership between FMNE subsidiaries and local universities creating research chairs and partnership for local human capital development. Moreover, the participants suggested a partnership between FMNE subsidiaries and local public and private organisations for local human capital development (Table 6-22).

Table 6-22 Collaboration and cooperation by key stakeholders for enhancing IFDI contributions in local human capital development

Theme 5. Key stakeholders' collaboration and cooperation	
Sub-themes	Representative direct quotes
Partnership for managers exchange programmes	<p><i>Partnership with government organisations, so they can send some of their staff to take training or participate in an exchange programme. (F2M2)</i></p> <p><i>Exchange programmes between FMNE subsidiaries and local organisations are useful, especially for managers who are in important positions. (F3M4)</i></p> <p><i>Encourage the exchange of managers between FMNE subsidiaries and local organisations, particularly in important positions, which have a role in the transfer of knowledge and skills. (L2M3)</i></p>
Partnership between government organisations and FMNE subsidiaries	<p><i>FMNE subsidiaries could provide advice and guidance to government for the development of staff in government ministries and all public-sector departments, which could be included in the national five-year plans especially about policies for human capital development. (L2M3)</i></p>

	<i>There is a special programme in the KSA called the King Salman programme for human capital development. I think FMNE subsidiaries can have a good role in contributing in this programme by providing strategic and experiences in this field. (L3M4)</i>
Partnership between FMNE subsidiaries and local universities	<i>FMNE Subsidiaries can be partners in creating research chairs at universities for the development of human wealth. (L3M4)</i>
Partnership between FMNE subsidiaries and local organisations	<i>FMNE partnership with other private organisations for more training and development practices. (F2M2)</i> <i>Partnership between FMNE subsidiaries and private organisations (owned 100% by Saudis as well as those local companies that have shares with foreign companies), working in the same industry. (F3M3)</i>
Councils and associations of managers in FMNE subsidiaries and local organisations	<i>Establishment of councils and associations between managers in FMNE subsidiaries and local organisations and government ministries. (L3M4)</i>

An overview of subthemes and themes about the suggestions made by participants for enhancing IFDI contribution in local human capital development in developing countries is shown in Figure VII in Appendix 7. The next section presents the summary of this chapter.

6.7 Summary of the findings

The analysis of the qualitative data collected by semi-structured interviews with a convenience sample of 24 managers showed that there were 21 male managers and three female managers. The participants represented three FMNE subsidiaries and three local organisations in the services sector in the KSA. The thematic analysis of the qualitative data identified various sub-themes and themes regarding all five propositions included in the theoretical framework (Figure 4-3).

Regarding proposition 1 (FMNE subsidiaries investment in human resource development and training programmes for developing knowledge and skills of local managers in the host country), the findings showed five themes. The first theme under proposition 1 was

reasons of FMNE subsidiaries' training programmes for local managers. This theme comprised six sub-themes: filling the knowledge and skills gap and developing competencies, meeting employee needs and organisational business needs, training programmes as long-term planning and an investment in human capital, training and development needs identified in performance development review, providing more learning opportunities for becoming successful managers and preparing local managers for higher positions (Table 6-4). The second theme under proposition 1 was types of human resource development and training programmes for local managers in the KSA. This theme included five sub-themes: soft skills development training programmes, functional and technical training programmes, talent management training programmes and special training programmes for dealing with complex projects and programmes for managers supervising staff (Table 6-5). The third theme under proposition 1 was the location of FMNE Subsidiaries' training programmes for local managers. This theme included three subthemes i.e. on the job training locally, off the job training inside the host country, and off the job training overseas in other countries such as the UK and USA (Table 6-6). The fourth theme of findings under proposition 1 was the duration of FMNE subsidiaries' human resource development and training programmes for local managers. This theme comprised two sub-themes: short-term training programmes (duration from one day to several weeks) and long-term training programmes (duration between 12 months and 24 months) (Table 6-7). The fifth theme under proposition 1 was impacts of FMNE subsidiaries' human resource development and training programmes for local managers. This theme included two sub-themes i.e. impacts on FMNE subsidiaries and impacts on local managers who attended these training programmes (Table 6-8). The impacts on FMNE subsidiaries included increased productivity, change in working culture, creation of new ideas and new concepts, increased performance and

sharing of knowledge (Tables 6-8 and 6-9). The impacts on local managers included increased performance, advancement in creative abilities increased understanding of business, team management, interaction with other experts, knowledge of the work environment, enhanced ability to deal with different (work) cultures, increase in motivation and commitment to the work, and more performance and achievements (Tables 6-8 and 6-9).

Findings regarding proposition 2 (FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons) revealed three themes. The first theme under proposition 2 was monetary / financial benefits (Table 6-10), which included higher salary, house allowance, medical insurance, bonuses, compensation for children's education / education fees, shares in the company and other facilities such as gym facilities (Table 6-11). The second theme under proposition 2 was career progression that included more career opportunities, better career opportunities and progression, faster promotions and getting higher positions in local organisations (Table 6-12). The third theme under proposition 2 was the other reasons of local managers' mobility, which comprised individual preferences and requirements, job and organisation related reasons such as job security, and social reasons that included balance between work and family (Table 6-14).

The findings about proposition 3 (Spillovers: Human skills and knowledge transfer to local organisations) identified one theme i.e. human skills and knowledge spillovers, which comprised five sub-themes: transfer of knowledge and skills, advancement of professional capabilities, introduction of new working culture and behaviours, transfer of business processes and intrapreneurial skills to local organisations (Table 6-15).

The findings regarding proposition 4 (human capital related impacts on local organisations) revealed one theme i.e. human capital related impacts on local

organisations (Table 6-16). This theme comprised four sub-themes: increased productivity, upgrading of management skills, availability of intrapreneurial skills and other human capital related impacts (such as changes in work behaviours, ethics and culture, promotion of creative thinking, transfer of business processes of FMNE subsidiaries and improvement in capabilities and performance in local organisations) (Table 6-16).

Findings about proposition 5 (IFDI contributions in local human capital development in developing countries) revealed two themes. The first theme was types of IFDI contributions in local human capital development (Table 6-17). This theme comprised nine subthemes: development of K&S of local managers, development of local leadership, development of professional capabilities, improvement of performance, training and internship of new graduates, partnerships with universities for training local graduates, training and development of staff in government and local organisations, targeted local human capital development in specific business areas, and human capital development and employment of local labour (Table 6-17). The second theme under proposition 5 comprised suggestions for enhancing IFDI contributions in local human capital development. This broad theme included five themes: actions by FMNE subsidiaries (Table 6-18), actions by host country government (Table 6-19), actions by local mobile managers (Table 6-20), actions by local organisation and local institutions (Table 6-21) and key stakeholders' collaboration and cooperation (Table 6-22).

7 Chapter 7: DISCUSSION

This chapter provides discussion on the findings of this study in the light of existing published literature. This chapter comprises seven sections as follows.

The first section provides discussion on the findings about Proposition 1 (FMNE subsidiaries' human resource development and training programmes for local managers in host developing countries). This section thus covers discussion on the reasons, types, duration, location and impacts of FMNE subsidiaries' human resource development and training programmes for local managers (study objective 1, research question 1). The second section discusses the findings about proposition 2 (FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons). This section therefore provides discussion on the findings related to the reasons of trained local managers' mobility from FMNE subsidiaries to local organisations (study objective 2, research question 2).

The third section presents discussion on the findings regarding proposition 3 (Spillovers: human skills and knowledge transfer to local organisations). Thus, this section provides discussion on IFDI spillovers related to human skills and knowledge transfer to local organisations (study objective 3, research question 3). The fourth section provides discussion on the findings about proposition 4 (Human capital related impacts on local organisations). This section therefore covers discussion on human capital related impacts on local organisations in developing countries (study objective 4, research question 4).

The fifth section provides discussion on the findings about proposition 5 (IFDI contributes in local human capital development in host developing countries). This section thus provides discussion regarding IFDI contributions in local human capital development in developing countries (study objective 5, research question 5). The sixth

section presents discussion on the conceptual framework that has been updated in the light of empirical findings of the present study. The seventh section presents a summary of this chapter.

7.1 Proposition 1. FMNE subsidiaries investment in HRD&T programmes for developing knowledge and skills of local managers in host country

This section discusses the findings about Proposition 1. (FMNE subsidiary human resource development and training for developing K&S of local managers in developing countries), which covers the study objective 1 (the reasons, types, location, duration and impacts of FMNE subsidiary's human resource development and training programmes for local managers in host developing countries). This section includes five sub-sections (from 7.1.1 to 7.1.5), which represent five themes identified in the data analysis. These themes are discussed below.

7.1.1 Reasons of human resource development and training programmes for local managers

The findings showed that there are several reasons for FMNE subsidiaries to provide human resource development and training programmes for developing knowledge and skills of local managers in the host country such as the KSA. The findings showed that one of the main strategic reasons for providing human resource development and training programmes for local managers in the host developing countries by FMNE subsidiaries includes filling the gap in the knowledge and skills of local managers and developing their competence. These findings are agreement with earlier research studies such as an empirical study involving firm-level case studies in the Kenyan context reported that FMNE subsidiaries invest in development of knowledge and skills of local staff (Gachino, 2012). In addition, earlier studies reported that FMNE subsidiaries develop competencies of local staff for working with high technologies (Ng, 2005; Zhang,

Cantwell and Jiang, 2014; Ha and Giroud, 2015). In developing countries local managers and workers working in FMNE subsidiaries could be required to work on high technology products using advanced technologies for which they have no prior exposure; hence, they need training and development to perform their work. The present study has shown that local managers working in FMNE subsidiaries in developing countries develop their knowledge and skills through human resource development and training provided by FMNE subsidiaries.

The present study also showed that FMNE subsidiaries provide human resource development and training programmes for local managers for meeting the needs of both the local managers (employees) and the organisation, as reported in earlier studies (such as Gachino, 2012). The findings of the present study showed that the unmet needs could be fulfilled through developing abilities and skills of local managers, which can be identified by their line managers either in the annual performance development reviews (PDRs) or review of key performance indicators (KPIs) of the local managers (LSE Human Resources, 2010).

In addition, the findings showed that FMNE subsidiaries that invest in human resource development and training programmes for local managers consider it as a strategic investment in human capital, as reported by earlier researchers (Jain and Agrawal, 2005). The findings of the present study also revealed that this investment in human resource development and training programmes for local managers was aimed at lowering costs and avoiding risks and improving organisational performance, which is in agreement with earlier studies (Thang and Quang, 2007; Zhang, Zhang and Liu, 2007).

Moreover, the findings revealed that human resource development and training programmes for local managers varied between FMNE subsidiaries (Horwitz, 2015). These findings suggested that FMNE subsidiaries differ from each other in terms of the

level of investment, aims and objectives, and the nature of human resource development and training for local managers in host developing countries. FMNE subsidiaries invest in local human capital for cost reasons because bringing expatriates in subsidiaries in developing countries could be quite expensive compared to the costs incurred on training locals for specific positions (Benito, 2015).

7.1.2 Types of human resource development and training programmes for local managers

The findings revealed that FMNE subsidiaries provided different types of human resource development and training programmes for local managers in the KSA, which broadly included soft-skills development programmes, functional, business, and technical programmes, talent management and leadership programmes.

The findings showed that in host developing countries FMNE subsidiaries develop local managers' soft skills such as making presentations, public speaking, communication skills and persuasion skills. Literature shows that local managers in host developing countries could be lacking in soft skills due to less emphasis on these types of skills in the educational system in host developing countries (Shakir, 2009; Rashidi et al., 2013). Developments of soft skills especially among local managers working in FMNE subsidiaries are important because they have to deal with the global businesses (Griffith and Hoppner, 2013) and innovations (Davies, Fidler and Gorbis, 2011). These findings suggest that human resource development and HRM practitioner and policies makers in host developing countries should invest in developing soft skills of local managers (Shakir, 2009), which could involve formal procedures for assessment of skills and needs of the employee and business needs of the organisation (Rashidi et al., 2013).

The findings of the present study also showed that FMNE subsidiaries provided human resource development and training programmes to their local managers in specific

business, technology and job functional areas such as project management for project managers and HRM for human resources managers. These findings suggest that FMNE subsidiaries need local managers who are specialised in specific work areas. These findings have implications for policy makers involved in the human resource management and human resource development in developing countries (Nieuwenhuizen and Groenewald, 2008). These findings suggest that human resource development and training programmes in specific business, technology and job function areas are imperative for enhancing business outcomes (Martin, McNally and Kay, 2013) and increasing the potential for locals for employment in foreign organisations such as FMNE subsidiaries (Andresen, Biemann, and Pattie, 2015).

In addition, the present study showed that FMNE subsidiaries provided a range of talent management and leadership programmes relevant to specific positions and levels of local managers in host developing countries (Tatoglu, Glaister, and Demirbag, 2016). T&D programmes in areas like talent management are important for the business organisations to deal with the global business requirements and challenges (Cappilli, 2008) and increase the organisational competitive advantages through human capital development (Collings and Mellahi, 2009; Al Ariss, Cascio and Paauwe, 2014). Thus, talent management programmes could contribute in organisational performance and business growth (Farndale, Scullion and Sparrow, 2010; Al Ariss, Cascio and Paauwe, 2014; Meyers and van Woerkom, 2014; Beamond, Farndale and Härtel, 2016).

However, literature shows that global business organisations such as FMNE subsidiaries face challenges in talent management due to staff mobility and turnover (Collings, 2014; Tatoglu, Glaister, and Demirbag, 2016). Therefore, to deal with these challenges, FMNE subsidiaries operating in developing countries such as the GCC countries like Saudi Arabia adopt localisation strategies such as attracting, developing and retaining local

talent pool for meeting their business and operational requirements (Sidani and Al Ariss, 2014). Alternatively, the highly talent personnel will move to other organisations where they could see more career development and career progression (Tatoglu, Glaister, and Demirbag, 2016).

Moreover, the findings of the present study showed that almost all talent management and leadership development and training programmes are based on the competency and performance. The selection for these programmes involves competition and a limited quota for specific regions and countries where FMNE subsidiaries have their subsidiaries. These findings suggest that local managers working at FMNE subsidiaries need to prepare themselves and excel in their job functional areas for benefitting from these high-level specialised programmes offered by FMNE subsidiaries to local managers in host developing countries.

7.1.3 Location of human resource development and training programmes for local managers

The findings showed that FMNE subsidiaries' human resource development and training programmes for local managers in developing countries take place inside the host developing country (Zhang, Zhang and Liu, 2007; Gachino, 2012). The findings also revealed that human resource development and training inside the host country mostly involved on the job and in-house training (Thang and Quang, 2007). This type of training was held mostly at the head offices of FMNE subsidiaries in the host country i.e. Saudi Arabia in the present study. In addition, the findings showed that the advanced human resource development and training programmes were held overseas or outside of the host country (Zeufack, 1998; Gachino, 2012). The present study revealed the advanced training programmes were provided either in a neighbouring country (i.e. Dubai) or in a

developed western country such as the UK and USA. These advanced level overseas training programmes were often long duration programmes.

7.1.4 Duration of human resource development and training programmes for local managers

The findings showed that FMNE human resource development and training programmes for local managers included short-term and long-term programmes (Gachino, 2012). The findings revealed that the duration of short-term programmes was between one day and several weeks whereas the duration of long-term human programmes was mostly between 12 months and 24 months. The findings also revealed that the short-term human resource development and training programmes were mostly organised locally in the host country while the long-term human resource development and training programmes were arranged overseas in developed countries such as the UK and USA.

7.1.5 Impacts of human resource development and training programmes for local managers

The findings revealed that FMNE human resource development and training programmes for local managers led to positive impacts on local managers who attended the programmes as well as on their FMNE subsidiaries (Table 6-9). The noteworthy positive impacts on local managers (Table 6-9) include development of knowledge, skills and abilities of local managers (Leshner and Miroudot, 2008; Gachino, 2012), increased productivity (Thang and Quang, 2007; Zhang, Zhang and Liu, 2007; Spencer, 2008; Balsvik, 2011; Gerschowski, 2013), enhanced understanding of work, rights, responsibilities and organisational business, development of promotion potential and career progression (Pesola, 2007; Gachino, 2012) and increased interaction with local and foreign colleagues (Perri and Peruffo, 2016). The most notable positive impacts on FMNE subsidiaries (Table 6-9) include increased organisational performance, productivity and business (Ng, 2005; Thang and Quang, 2007; Zhang, Zhang and Liu,

2007), increase in staff / employee skills, knowledge, and abilities (Leshar and Miroudot, 2008), improvement in customer relations, and improved workplace interaction (Perri and Peruffo, 2016).

A comparative analysis of positive impacts of FMNE human resource development and training programmes for local managers (Table 6-9) revealed that both FMNE managers and local mobile managers confirmed positive impacts on the staff / employees that mainly included knowledge and skills development (Leshar and Miroudot, 2008; Gachino, 2012), better understanding of organisational business and work, increased manager and worker and organisational performance (Thang and Quang, 2007; Zhang, Zhang and Liu, 2007; Balsvik, 2011; Gerschwski, 2013), development of creative ideas and problem solutions and increased staff interaction at different levels (Perri and Peruffo, 2016).

The findings of the present study also revealed that FMNE human resource development and training programmes for local managers in developing countries have more positive impacts on FMNE subsidiaries than on local managers receiving training. These findings suggest that FMNE subsidiaries invest in human resource development and training of local managers for strategic and business reasons, which could be different from the human resource development and training that FMNE subsidiaries do under their social responsibility (Wilcox, 2006; Kim and Scullion, 2011).

A comparison between the perspectives of FMNE subsidiaries and local managers revealed that FMNE subsidiaries' managers claimed more positive impacts on local managers than the positive impacts reported by the local mobile managers (Table 6-9). Thus, these findings suggest that there are differences between the perspectives of FMNE subsidiaries and local mobile managers. However, there were some similarities and agreement between the perspectives of FMNE subsidiaries' managers and the

perspectives of local mobile managers regarding the types of positive impacts on local managers such as improvement in skills and abilities (Leshner and Miroudot, 2008; Gachino, 2012) and increased performance (Thang and Quang, 2007; Zhang, Zhang and Liu, 2007; Spencer, 2008; Gerschwski, 2013). These two types of positive impacts were the common impacts on both the FMNE subsidiaries and the local managers. These findings suggest that the main objective of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries is developing knowledge and skills of local managers for increasing their performance. This is important because increase in employee performance results in increased performance of the organisation (Asli, Behname, and Noormohamadi, 2012; De Grip and Sauermann, 2013; Minbaeva et al., 2014). Thus, this finding is in agreement with earlier studies that reported that FMNE subsidiaries invest in the local staff for increasing their knowledge, skills and performance (Thang and Quang, 2007; Zhang, Zhang and Liu, 2007; Spencer, 2008; Gachino, 2012; Gerschwski, 2013).

However, the present study also revealed that sometimes FMNE subsidiaries' training programmes for local managers may fail to yield the desired positive impacts due to the bad selection criteria, inappropriate courses and selection of unsuitable persons for the human resource development and training programmes as identified in the present study. Such situation could lead to wastage of resources and poor outcomes (Adebanjo et al., 2016). Therefore, these findings suggested that there is a need for a robust selection system based on some solid criteria to avoid selection of inappropriate training courses and incompatible trainees. This is imperative because employee training is significantly associated with employees' ability and performance and thus the organisational performance (Minbaeva et al., 2014).

7.2 Proposition 2: FMNE trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons

This section provides discussion on the findings about Proposition 2 (FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons), which covers the study objective 2 (reasons of trained local managers' mobility from FMNE subsidiaries to local organisations).

The findings showed that in developing countries, FMNE subsidiaries trained local managers' move from FMNE subsidiaries to local organisations for different reasons. These reasons mainly fall in three themes i.e. monetary / financial benefits (Tables 6-10 and 6-11), career progression (Table 6-12), and other reasons i.e. individual preferences and requirements, job and organisation related reasons and social reasons (Table 6-14). This section is divided in to three sub-sections (from 7.2.1 to 7.2.3), which provide discussion on these three themes as follows.

7.2.1 *Financial / monetary benefits*

The findings of the present study did not differentiate the most important or the least important reasons of local managers' mobility from FMNE subsidiaries to local organisations in developing countries. However, the monetary / financial benefits and career progression were widely reported as the main reasons for local managers' mobility from FMNE subsidiaries to local organisations in the present study. Therefore, the findings of the present study in relation to these two reasons are in agreement with the existing literature and confirm the findings of earlier studies that FMNE subsidiaries trained local managers' move from FMNE subsidiaries to local organisations for career progression (Pesola, 2007; Gachino, 2012; Oladapo, 2014) and monetary benefits such as higher wages, which has been reported by many researchers (Pesola, 2007; Spencer, 2008; Asli, Behname, and Noormohamadi 2012; Gachino, 2012; Wang, Wong and

Granato, 2013; De Grip and Sauermann, 2013). It is therefore argued that managers could stay in the same organisation as far as they get relatively better financial gains (Terera and Ngirande, 2014), which may suggest that as soon as a manager sees a better financial opportunity elsewhere she or he would move to that organisation (Shankar and Muneera, 2014).

The findings of the present study in relation to higher salary and other monetary benefits such as a bonus and rewards as the main reasons of local managers' mobility to local organisations is also in conformity with the previous literature (Pesola, 2007; Spencer, 2008; Asli, Behname, and Noormohamadi 2012; Gachino, 2012; Wang, Wong and Granato, 2013; De Grip and Sauermann, 2013; Oladapo, 2014). In addition, the findings of the present study also revealed that the monetary benefits received by local managers at FMNE subsidiaries and local organisation includes not only salary but also other monetary benefits, most of which are offered by both FMNE subsidiaries and local organisations as identified in the present study (Table 6-4).

Literature shows that lower wages result in a higher turnover (Card and Krueger, 2016, p. 373). The findings of the present study revealed that local mobile managers' salary package at local organisations was 10% to 50% higher compared to their salary package at FMNE subsidiaries. These findings show that some local organisations in developing countries such as Saudi Arabia pay higher salaries than the FMNE subsidiaries to highly qualified and experienced local managers. These findings could be contrary to a common belief that foreign organisations always provide higher salaries. It is however more likely that the FMNE subsidiaries might provide a higher salary to their expatriate managers but not necessarily to the local managers in the host developing countries.

Literature shows that sometimes FMNE subsidiaries retain and stop the turnover of their trained local managers by offering them a higher salary (De Grip and Sauermann, 2013).

However, payment of a higher salary could be linked with the higher productivity of the manager (Asli, Behname, and Noormohamadi, 2012). These finding also suggest that some local managers could be using FMNE subsidiary work experience and human resource development and training as a springboard for getting higher salaries and higher positions in other organisations both locally and overseas (Martins, 2005; Gachino, 2012).

7.2.2 Career progression

The findings of the present study also revealed that career progression is also one of the main reasons of local managers' mobility to local organisations, as reported in previous studies (Pesola, 2007; Gachino, 2012; Oladapo, 2014). In addition, the present study showed that career progression was associated with perceived availability of more career opportunities, faster promotion chances and getting higher positions in local organisations.

The literature shows that perceived less career progression opportunities could also result in employee turnover (Collings and Scullion, 2006). However, career progression could be a real career progression i.e. actually getting a higher position or a perceived career progression potential in local organisations. The present study revealed that most of the local mobile managers got higher positions at local organisations (Table 6-13). These findings confirm that local managers get less career progression opportunities in FMNE subsidiaries (Michailova, Mustaffa and Barner-Rasmussen, 2016).

These findings are interesting and show that FMNE subsidiaries trained local managers have a high potential for being employed at higher positions in local organisations due to their advanced level of knowledge, skills and experience gained at FMNE subsidiaries (Tatoglu, Glaister, and Demirbag, 2016). These finding suggest that local managers should invest in their knowledge, skills and professional development for maximising

their potential for higher positions in the home country (Branham, 2012, p. 122). These findings also suggest that the developing countries should also invest in local human capital development and prepare locals for meeting the human resource needs and demands of the local market (Tan, McGough and Valerio, 2010).

Another interesting finding noted was the perception of availability of more human resource development and training programmes in local organisations compared to FMNE subsidiaries. Therefore, it was considered to open up more career opportunities to local managers. Literature shows that the perception of fewer opportunities for professional development could lead to the manager leaving the organisation (Branham, 2012, pp. 104-106). However, literature shows that foreign organisations such as FMNE subsidiaries provide more T&D programmes for their managers and staff compared to local organisations; thus, the findings of the present study are not in full conformity with the existing literature that suggests that local organisations provide more opportunities for continuous professional development (Jain and Agrawal, 2005; Zhang, Zhang and Liu, 2007; Gerschewski 2013).

7.2.3 Other reasons

The findings of the present study revealed that trained local managers move from FMNE subsidiaries to local organisations in developing countries for reasons other than financial and career related reasons. These other reasons identified in the present were individual preferences and requirements, job and organisation related reasons and social reasons, which are discussed as follows.

Individual preferences and requirements

The findings of the present study have shown that FMNE subsidiaries trained local managers move from FMNE subsidiaries to local organisations in developing countries due to personal (individual) reasons, preferences and requirements, as reported in earlier

literature (such as Branham, 2012). About personal preferences and requirements, the present study revealed that some local managers especially the female managers with young families are more likely to leave FMNE subsidiaries and join local organisations for different reasons such as working hours suitable to the family life (Branham, 2012, pp. 183).

The literature shows that maintaining a balance between the work life and family life is important for female managers working for FMNE subsidiaries in developing countries (Bozionelos, 2009; Allen et al., 2013). In addition, in some countries like the KSA, it is socially, culturally and religiously unacceptable and a taboo for females, especially unmarried women, to work alone at a place away from the home and it is very difficult if not impossible for females to work in FMNE subsidiaries overseas (Alhejji et al., 2018). The findings of the present study thus confirm that some local managers, especially local female managers, in developing countries like the KSA prefer to work in local organisations rather than working at a FMNE subsidiary at a distant location that is not convenient to them.

Literature shows that work related factors such as organisational culture, less promotion chances and stagnation in career, too much workload, imbalance between work and family life and inflexible work schedule could be associated with workplace stress, which could have an adverse impact on the health, wellbeing and work of employees and the performance of organisations (Health and Safety Authority, 2011a, p. 7; Arnold et al., 2016, p. 376). The findings of the present study showed that some local managers left FMNE subsidiaries and joined local organisations due to job related issues such as avoiding work pressure that could lead to work related stress (Branham, 2012, pp. 158-160; Taher, 2013). The literature shows that FMNE subsidiaries are more likely to have KPIs for monitoring the performance and targets, which could be less stringent in local

organisations (Ma et al., 2016). Thus, many local managers would prefer to join the jobs and the organisations that are less likely to involve tough KPIs and work pressure. Avoiding work pressures could also be due to individuals' general work behaviours, practices and ethics that could vary between countries and regions (Aycan and Corabik, 2017). These findings suggest that HR managers in FMNE subsidiaries could communicate and provide feedback to all employees including local managers to avoid any work-related stress and issues (Health and Safety Authority, 2011a, b), which could potentially avoid employee turnover.

Job and organisation related reasons

The findings of the present study also revealed that the job stability and security is an important reason that leads to local managers' mobility from FMNE subsidiaries to local organisations in developing countries (Branham, 2012, p. 29; Oladapo, 2014). In this regard, an important issue is that FMNE subsidiaries could be working on project basis in developing countries; thereby, they employ locals on the project based positions, which could be fixed term contract appointments. Hence, the incumbents of the project based contract positions may feel their jobs insecure; hence, they are more likely to be looking for permanent positions elsewhere (Keim et al., 2014), which are usually in local organisations mainly in the public sector in developing countries like Saudi Arabia (Ramady, 2013). In addition, there are limited job opportunities in many developing countries; therefore, locals prefer a job for life that provides them a sense of security (Hertog, 2012). Hence, the findings of the present study agree with the existing literature on the issue of job security and employee mobility from less secure jobs to more secure jobs, which are usually found in local organisations in developing countries even in rich Arabian countries such as the UAE (Alnaqbi, 2011) and Saudi Arabia (Ramady, 2013; Alsemeri, 2016).

Social reasons

The findings also showed that social reasons such as being at a higher position yields a higher authority and social impact are important considerations in developing countries. For example, the KSA where there is a male dominated social and cultural environment and a high-power distance and masculinity dictate the workplace and organisational culture (Al- Krenawi 2014; Tlaiss and Elamin, 2016).

The findings of the present study have shown that local managers leave FMNE subsidiaries and get higher positions in local organisations sometimes at a salary that is relatively lower (up to 10% reported in the present study) than at FMNE subsidiaries. These findings are interesting findings and negate the widely held view that people always move jobs for getting higher salaries. The present study has shown that it is also possible that people could move jobs, even at a lower salary, for a higher position, which yields a high power that is preferred in some cultures such as in Saudi Arabia (Al-Krenawi 2014; Tlaiss and Elamin, 2016). In addition, the higher position could also have a social impact revealing the social and power status, which could be a very important consideration in class based societies and countries such as the KSA (Alsemeri, 2016); hence, it is an important reason of local managers' mobility from FMNE subsidiaries to local organisations in developing countries like Saudi Arabia.

7.3 Proposition 3. Spillovers: Human skills and knowledge transfer to local organisations

This section presents discussion on the findings about IFDI spillovers related to human skills and knowledge transfer to local organisations (Proposition 3), which covers the study objective 3. The present study have revealed that the trained local managers' mobility from FMNE subsidiaries to local organisations results in different types of human skills and knowledge transfer related spillovers, which identified in the present

study include transfer of knowledge and skills, advancement of professional capabilities and competencies, introduction of new working culture, transfer of businesses processes, and transfer of intrapreneurial skills (Figure 7-1), which were acknowledged by FMNE subsidiaries, local organisations and local mobile managers. These spillovers are discussed below.

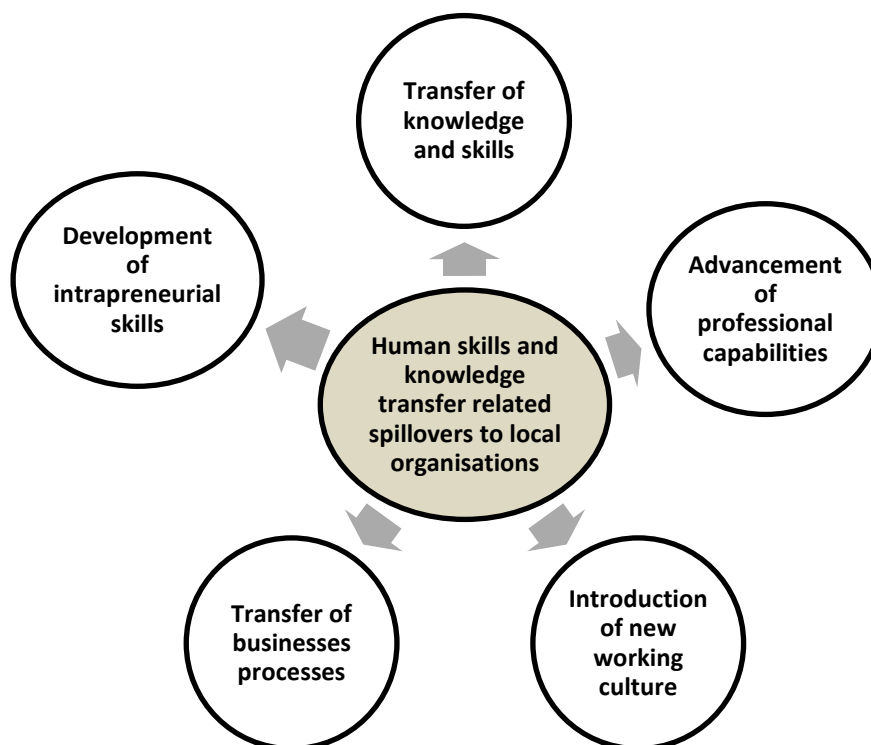


Figure 7-1 FMNE subsidiaries trained local managers’ mobility: Human skills and knowledge spillovers to local organisations

Source: Researcher.

7.3.1 Transfer of knowledge and skills

The findings of the present study revealed that FMNE subsidiaries trained local managers’ mobility from FMNE subsidiaries to local organisations in the host country results in transfer of knowledge and skills in local organisations. The findings showed that the transfer of knowledge and skills were in different areas such as management, leadership, sales and marketing, customer negotiations, business and strategic planning, product development, information and data analysis and reporting, problem solution and

project and business development and soft skills such as the presentation and communication skills. These findings confirm similar findings in the earlier literature (Pesola, 2007; Jacob and Szirmai, 2007; Lesher and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016).

From the FMNE subsidiaries' perspectives, experts from the FMNE subsidiaries' home country (most commonly a developed country) transfer the advanced knowledge and skills to local managers of FMNE subsidiaries in host developing countries. In addition, FMNE subsidiaries develop knowledge and skills of local managers through targeted human resource development and training programmes, which include on job training and skill development as well as formal courses and training locally and overseas, which result in the advancement of knowledge and skills of local managers in FMNE subsidiaries (Javed and Shirazi, 2017). The findings also showed that when trained local managers move from FMNE subsidiaries to local organisations, they bring their advanced knowledge and skills that they disseminate to their colleagues at local organisations. These findings suggested that the transfer knowledge and skills can have a significant impact on local organisations and their staff.

Interestingly, the findings showed that the transfer of knowledge and skills to local organisations was not straightforward but was dependent on the organisational culture, size of the organisation and managerial knowledge and skills (Lenaerts and Merlevede, 2015). In this regard, the findings further revealed that knowledge and skills spillovers are difficult in organisations where there is a bureaucratic working culture, traditional chain of command, weak leadership and more reliance on the power rather than on the knowledge, skills and strong leadership. These findings suggest that the positive impacts of knowledge and skills spillovers are determined by many factors such as the

organisational culture, leadership and K&S development (Farole and Winkler, 2014, p. 158-159).

In addition, the findings also showed that sometimes mobility of very senior local managers such as CEOs and VPs does not contribute in knowledge and skills transfer to local organisations. This was because they bring their team who do not contribute in the development of knowledge and skills of other local staff at local organisations. This finding is very interesting and important that sometimes it is possible that the mobility of very senior managers would not produce any knowledge and skills spillovers in local organisations in developing countries.

Moreover, the literature shows that some FMNE subsidiaries could block the spillover of knowledge and skills transfer to local organisations by providing higher wages and promotions to local managers (Pesola, 2007; Spencer, 2008; De Grip and Sauermann, 2013). Thus, IFDI led spillovers of human skills and knowledge transfer from FMNE subsidiaries to local organisations in developing countries have been challenged by earlier researchers (Saggi, 2002, Smeets, 2008).

7.3.2 Advancement of professional capabilities

The findings of the present study showed that the spillover of advancement of professional capabilities in local organisations result due to trained local managers' mobility from FMNE subsidiaries to local organisations (Farole and Winkler, 2014, p. 158-159). This type of spillover results because of mobile local managers' high level of knowledge and skills development through FMNE subsidiaries' human resource development and training programmes. The transfer and application of these advanced professional knowledge and skills of trained mobile managers result in the development of professional capabilities in local organisations (Leshner and Miroudot, 2008; Spencer, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013), which lead to the transfer and

upgrading of management skills in local organisations (Perri and Peruffo, 2016). These findings suggest that FMNE subsidiaries trained local managers develop their own capabilities and competencies through FMNE subsidiaries' human resource development and training programmes. When these highly capable and competent local managers move from FMNE subsidiaries to local organisations, they contribute in developing capabilities of local staff at local organisations in developing countries.

7.3.3 Introduction of new work culture

The present study showed that another spillover was the introduction of new work culture and behaviours in local organisation due to trained local managers' mobility from FMNE subsidiaries to local organisations. This type of spillover was found to occur because of local managers' training and development and work experience at FMNE subsidiaries that apply global work practices, participatory work culture and ethics, which influence and improve the work culture, behaviours, and ethics of local managers and staff in developing countries. The literature shows that work behaviours, ethics and culture differ between developed and developing countries and between FMNE subsidiaries and local organisations in developing countries (Abridah, 2012). The findings of the present study revealed that the introduction of the FMNE subsidiary based new working culture focuses on discipline, commitment, productivity and tasks rather than only on the time management commonly observed in developing countries. These differences could be due to social, cultural and organisational differences. Generally, the work behaviours, culture and ethics in developing countries are considered as less productive, inefficient and reflective of the national culture rather than the organisational and managerial cultures (Muenjohn and Armstrong, 2007).

In addition, differences in organisational cultures may also play their roles in shaping the working cultures, for example the foreign organisations are more tasks and performance

oriented compared to local organisations in developing countries that could be more time oriented. The literature shows that employees observe punctuality of the time and compromise with their tasks and performance in developing countries (Jackson, 2007). The findings of the present study show that FMNE subsidiaries trained local mobile managers could influence the working culture, behaviours and ethics in local organisations through personal examples of adopting task and performance oriented work behaviours, culture and ethics learned at FMNE subsidiaries. Thus, it is highly likely that the introduction of FMNE subsidiaries' work culture would result in positive impacts such as improved performance and productivity on local organisations (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015).

7.3.4 Transfer of business processes

The findings of the present study also showed that spillovers due to trained local managers' mobility from FMNE subsidiaries to local organisations also include transfer of FMNE subsidiaries' business processes to local organisations in developing countries (Miyamoto, 2008; Gachino, 2012). The development of global business processes was found to be due to local managers' exposure to and experience of global business processes at FMNE subsidiaries, which were reported to be based on the justice, transparency, clarity, commitment to work, policy development and clear processes and procedures in FMNE subsidiaries. Thus, the transfer of FMNE subsidiaries' business processes could have positive impacts on local organisations (Spencer, 2008; Bekes, Kleinert and Toubal, 2009).

7.3.5 Development of intrapreneurial skills

The literature shows that intrapreneurial skills and business processes similar to FMNE subsidiaries could be lacking in many local organisations in developing countries

(Gachino, 2012). Thus, availability of intrapreneurial skills in local organisations in an important IFDI spillover related to human skills and knowledge transfer in developing countries (Miyamoto, 2003; 2008).

This study confirmed that there are various types of human skills and knowledge spillovers to local organisations. These spillovers include the transfer of knowledge and skills, advancement of professional capabilities, introduction of new work culture, transfer of businesses processes and transfer of intrapreneurial skills to local organisations. These spillovers could have positive impacts on the performance, productivity, intrapreneurship and business processes in local organisations (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015).

7.4 Proposition 4: Human capital related impacts on local organisations

This section provides discussion on the findings about human capital related impacts on local organisations (Proposition 4), which covers the study objective 4. The present study showed that FMNE subsidiaries trained local managers' mobility to from FMNE subsidiaries to local organisations results in human capital related impacts on local organisations in developing countries. These impacts include increased productivity, upgrading of management skills, availability of intrapreneurial skills and other impacts i.e. changes in work behaviours, ethics and culture; promotion of creative thinking, transfer of business processes of FMNE subsidiaries and improvement in capabilities and performance of local organisations (Figure 7-2). These human capital related impacts on local organisations are discussed in the following subsections.

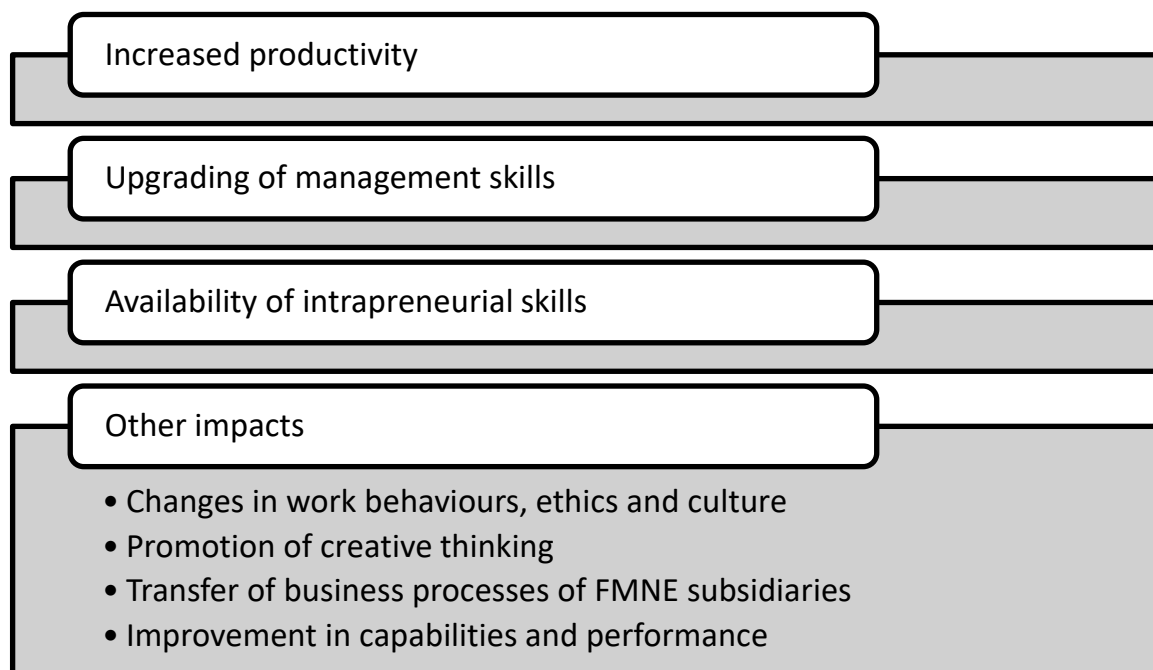


Figure 7-2 Human capital related impacts on local organisations due to local managers' mobility

Source: Researcher.

7.4.1 Increased productivity

The findings of the present study showed that increased productivity in local organisations is a notable positive human capital related impact on local organisations because of IFDI Spillovers through human skills and knowledge transfer due to FMNE subsidiaries trained local managers' mobility to local organisations. Findings revealed that FMNE subsidiaries trained managers have highly developed performance and productivity skills, which are transferred to other staff at local organisations resulting in increased productivity (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015).

7.4.2 Upgrading of management skills

The findings revealed that upgrading of management skills in local organisations is another human capital related positive impact on local organisations due to IFDI spillovers through human skills and knowledge transfer resulting because of trained local

managers' mobility from FMNE subsidiaries to local organisations. These findings show that upgrading of management skills results due to trained mobile managers' advanced management skills, which are developed through human resource development and training programmes at the FMNE subsidiaries. The trained local managers bring their advanced management skills and apply and transfer to other staff at local organisations.

Thus, the availability of advanced management skills at local organisations in developing countries is an important positive spillover of local managers' mobility (Leshner and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016). The availability and upgrading of management skills can help local organisations in their management processes and business processes, which could enhance their productivity and business competencies (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015).

7.4.3 Availability of intrapreneurial skills

Findings of the present study also showed that the availability of intrapreneurial skills in local organisations is an important positive human capital related impact on local organisations. The availability of intrapreneurial skills in local organisations results because of trained local managers' mobility from FMNE subsidiaries to local organisations (Leshner and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016).

7.4.4 Other impacts

The findings of the present study revealed that FMNE subsidiaries trained local managers' mobility results in other types of human capital related impacts on local organisations. These other impacts include changes in work behaviours, ethics and culture, promotion of creative thinking, transfer of business processes of FMNE

subsidiaries and improvement in capabilities and performance of staff at local organisations (Table 6-16). These impacts are discussed below.

Changes in work behaviours, ethics and culture

The findings of the present study also revealed that changes in work behaviours, ethics and culture in local organisations is a positive human capital related impact on local organisations due to IFDI spillovers. The change in the work behaviours, ethics and culture include promotion of culture of participation, team spirit and killing of fear and commitment to work, which are highly important. However, these changes are challenging in local organisations because work behaviours, commitment, performance and outputs are significantly influenced by cultural and social factors in developing countries (Abridah, 2012). Therefore, transfer of FMNE subsidiaries' work behaviours, ethics and culture to local organisation could yield positive results such as better performance leading to enhanced productivity (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015).

Promotion of creative thinking

The findings showed that promotion of creative thinking was also a positive human capital related impact on local organisations because of IFDI spillovers due to trained local managers' mobility from FMNE subsidiaries to local organisations. The findings showed that local managers learn and develop creative thinking whilst working at FMNE subsidiaries and when they move to local organisations they bring the culture of participation, team spirit and creative thinking, which they transfer to colleagues at local organisations. The participatory work culture, team spirit and creative thinking at workplace are inter-related and important for business organisations (Erez and Nouri,

2010) and they could lead to improved and creative performance (Vuong and Napier, 2014).

Transfer of business processes of FMNE subsidiaries

The findings of the present study also revealed that transfer of business processes of FMNE subsidiaries to local organisations was another positive human capital related impact on local organisations. The business processes of FMNE subsidiaries are based on modern management techniques and the latest technology (Blomstrom, 2014, p. 59); hence, their spillovers to local organisations include advanced management methods and new processes and products (Liu, 2008). In addition, the findings showed that through training and development and working with foreign experts at FMNE subsidiaries, local managers learn standard global business processes comprising justice, transparency, clarity, commitment to work, and understanding of work procedures. The local managers transfer these FMNE subsidiaries' business processes to local organisations. The clarity of work processes and procedures could be lacking in managers and workers in local organisations in developing countries. Hence, the introduction and availability of global business procedures could have positive impacts such as enhancement of the productive capacity and performance of local organisations (Liu, 2008).

Improvement in capabilities and performance

The findings showed that improved capabilities, performance and productivity was also a notable positive human capital related impact on local organisations due to IFDI spillovers because of trained local managers' mobility from FMNE subsidiaries to local organisations. Findings revealed that FMNE subsidiaries develop local managers' capabilities and improve their performance through work experience and training and development. When these trained local managers move to local organisations they bring highly developed capabilities and performance and productivity skills, which are

transferred to other staff. Consequently, there are positive impacts such as improvement in capabilities, performance and productivity at local organisation (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015).

7.5 Proposition 5: IFDI contributions in local HCD in host developing countries

This section provides discussion on the findings about IFDI contributions in local human capital development in developing countries (Proposition 5), which covers study objective 5. The present study showed that IFDI results in different types of contributions in local human capital development in developing countries (Figure 7-3). The findings also revealed several suggestions that could enhance IFDI contributions in local human capital development (Figure 7-4). The IFDI contributions in local human capital development and suggestions how these contributions could be enhanced are discussed in the following sections.

7.5.1 Types of IFDI contributions in local human capital development in developing countries

The present study revealed several IFDI contributions in local human capital development in the host developing country i.e. Saudi Arabia. These contributions include development of K&S of local managers, development of local leadership, development of professional capabilities of local managers, improvement of performance, training and internships of new graduates, partnerships with universities for training local graduates, T&D of staff in government and local organisations, targeted local human capital development in specific business areas, human capital development and employment of locals (Figure 7-3).

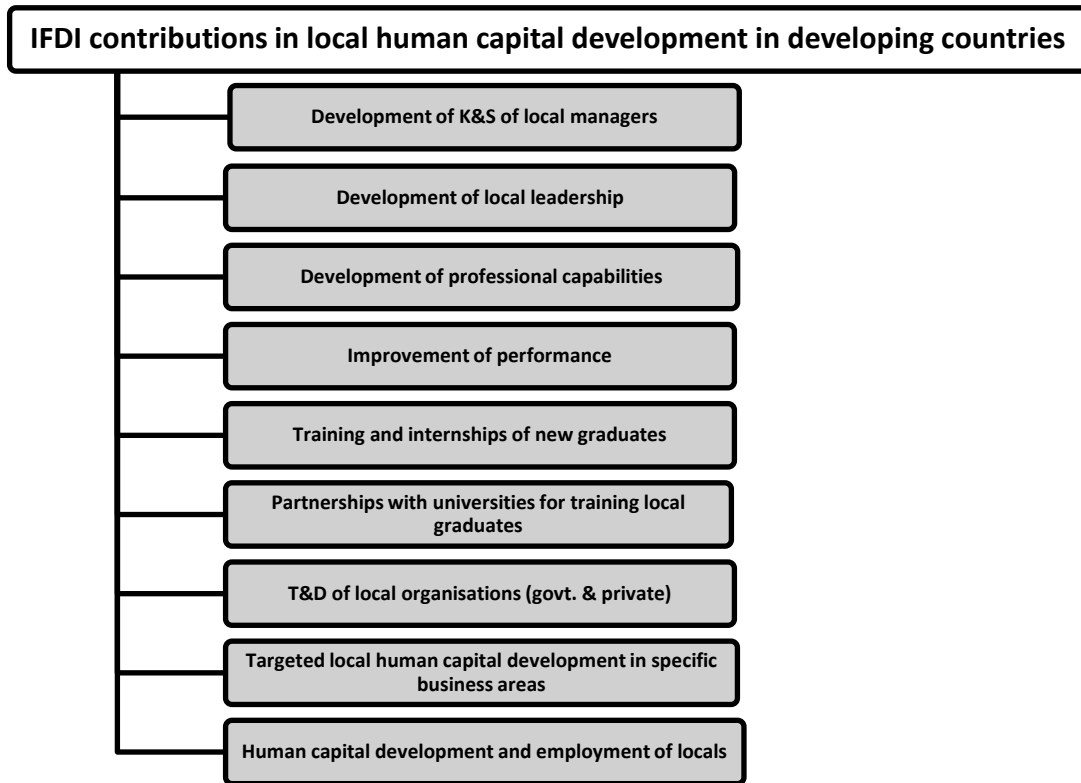


Figure 7-3 Types of IFDI contributions in local human capital development in developing countries

Source: Researcher.

The present study identified that IFDI in developing countries contributes in the development of K&S of local managers working at FMNE subsidiaries through T&D programmes of international standards for filling the K&S gap and meeting the needs of local managers. The findings also revealed that trained local managers' mobility from FMNE subsidiaries to local organisations results in transfer of knowledge and skills to other local managers and staff in local organisations in the host country (Leshner and Miroudot, 2008; Spencer, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016). These findings suggest that IFDI not only results in the K&S development of local managers working at FMNE subsidiaries but also to other managers and staff working in local organisations in developing countries.

The present study also revealed that IFDI in developing countries results in development of local leadership through FMNE subsidiaries that employ local managers and develop their K&S to an advanced level. Development of local leadership is important in developing countries where business organisations usually face leadership shortage (Beamond, Farndale and Hartel, 2016). Therefore, IFDI led development of local leadership is a significant contribution that can boost organisational performance and business growth in developing countries (Farndale, Scullion and Sparrow, 2010; Al Ariss, Cascio and Paauwe, 2014; Meyers and van Woerkom, 2014; Beamond, Farndale and Härtel, 2016).

In addition, the findings of the present study showed that IFDI contributes in development of professional capabilities of local managers through T&D programmes provided by the FMNE subsidiaries, which is in conformity with the earlier studies (Leshar and Miroudot, 2008; Spencer, 2008; Ghauri and Firth, 2011; Gachino, 2012). The findings of the present study also showed that IFDI contributes in the improvement of performance of local managers through the development of their competencies by T&D programmes by FMNE subsidiaries (Leshar and Miroudot, 2008; Spencer, 2008; Ghauri and Firth, 2011; Gachino, 2012). Thus, IFDI contributes in creating competence of local managers through FMNE subsidiaries (Zhang, Cantwell and Jiang, 2014; Ha and Giroud, 2015). Consequently, the performance of local managers could be increased resulting in human capital related spillovers and impacts on local organisations such as enhanced organisational performance and business growth (Farndale, Scullion and Sparrow, 2010; Al Ariss, Cascio and Paauwe, 2014; Meyers and van Woerkom, 2014; Beamond, Farndale and Härtel, 2016).

Moreover, the present study found that IFDI contributes in local human capital development through internship and apprenticeship opportunities for new graduates and

local youth in host developing countries such as Saudi Arabia (Kattuah, 2013, p. 132). The present study also revealed that IFDI contributes in local human development in developing countries through collaborations between FMNE subsidiaries and local universities for T&D of local graduates (Wang and Zhou, 2013). IFDI also contributes in providing internships and scholarships to local university graduates in developing countries (Yildirim and Tosuner, 2014).

Furthermore, the findings of the present study also showed that IFDI contributions in T&D of staff in government and local organisations through FMNE subsidiaries, especially those operating in the field of T&D, which may provide T&D for private customers including employees of government organisations and private local organisations in developing countries (Rastogi and Gaikwad, 2017). These findings suggest that IFDI has a positive impact on T&D of managers and other employees of local organisations in both the government sector and the private sector (Slaughter, 2002). The present study also revealed that IFDI contributes in local human capital development through FMNE subsidiaries' targeted T&D programmes for local managers in in specific business areas such as IT, banking, HRM, leadership and management. In addition, the findings of the present study confirmed that IFDI contributes in local human capital development and employment of locals through FMNE subsidiaries (Jain and Agrawal, 2005; Hale and Xu, 2016).

7.5.2 Suggestions for enhancing IFDI contributions in local human capital development in developing countries

The findings of the present study identified several suggestions for enhancing IFDI contributions in local human capital development in developing countries. These suggestions include actions by the key stakeholders i.e. FMNE subsidiaries, the host country government, local managers, local organisations including local universities for

enhancing IFDI led local human capital development in the host developing country (Figure 7-4). These suggestions are discussed below.

Actions by FMNE subsidiaries

The findings showed that FMNE subsidiaries could enhance their contributions in local human capital development in developing countries through several actions. For example, by employing local managers at senior positions, providing incentives to, and motivation of, foreign managers at FMNE subsidiaries, Saudisation of top positions in FMNE subsidiaries, opening local centres for product development, developing local human capital under social responsibility, providing placements to local youth at FMNE subsidiaries' headquarters and increasing budget for local human resource development and training programmes. These suggested actions are discussed as follows.

The suggestion for employing more local managers at senior positions in FMNE subsidiaries for enhancing IFDI contributions in local human capital development in the host developing countries is based on the argument that senior managers have advanced knowledge, better access and understanding of work and business of FMNE subsidiaries and their management and intrapreneurial skills are also advanced (Leshar and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016). Hence, employment of local managers at senior positions and their mobility to local organisations would transfer know how from FMNE subsidiaries to local organisations, which could contribute in the availability of advanced management and intrapreneurial skills to local organisations which could support in the management processes and business processes, and enhancement in the productivity and business competencies (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015). Thus, employment of local managers at

senior levels in FMNE subsidiaries could be imperative from the perspective of IFDI contributions in local human capital development in host developing countries.

In addition, the present study showed the IFDI contributions in local human capital development in developing countries could be increased by providing incentives to FMNE subsidiaries. These incentives could include guaranteed employment for an additional tenure and motivation to foreign managers at FMNE subsidiaries for transfer of K&S and sharing of experience with local managers. This is important because foreign managers have access and knowledge to FMNE subsidiary's resources and tacit knowledge (Kawai and Strange, 2014). The findings also revealed that IFDI contribution in local human capital development in developing countries such as Saudi Arabia could be enhanced by promoting Saudisation of top positions in FMNE subsidiaries because the senior positions will have access to resources and influence, which could contribute in local human capital development.

Moreover, the present study showed that IFDI led local human capital development in developing countries could also be increased by opening local centres for development of products such as software development centres by the FMNE subsidiaries engaged in IT. The arguments in favour of this suggestion is that local development of products such as software would lead to development of local expertise and experience and facilitate transfer of K&S to locals, which could contribute in local human capital development in specific domains (Patra and Krishna, 2015).

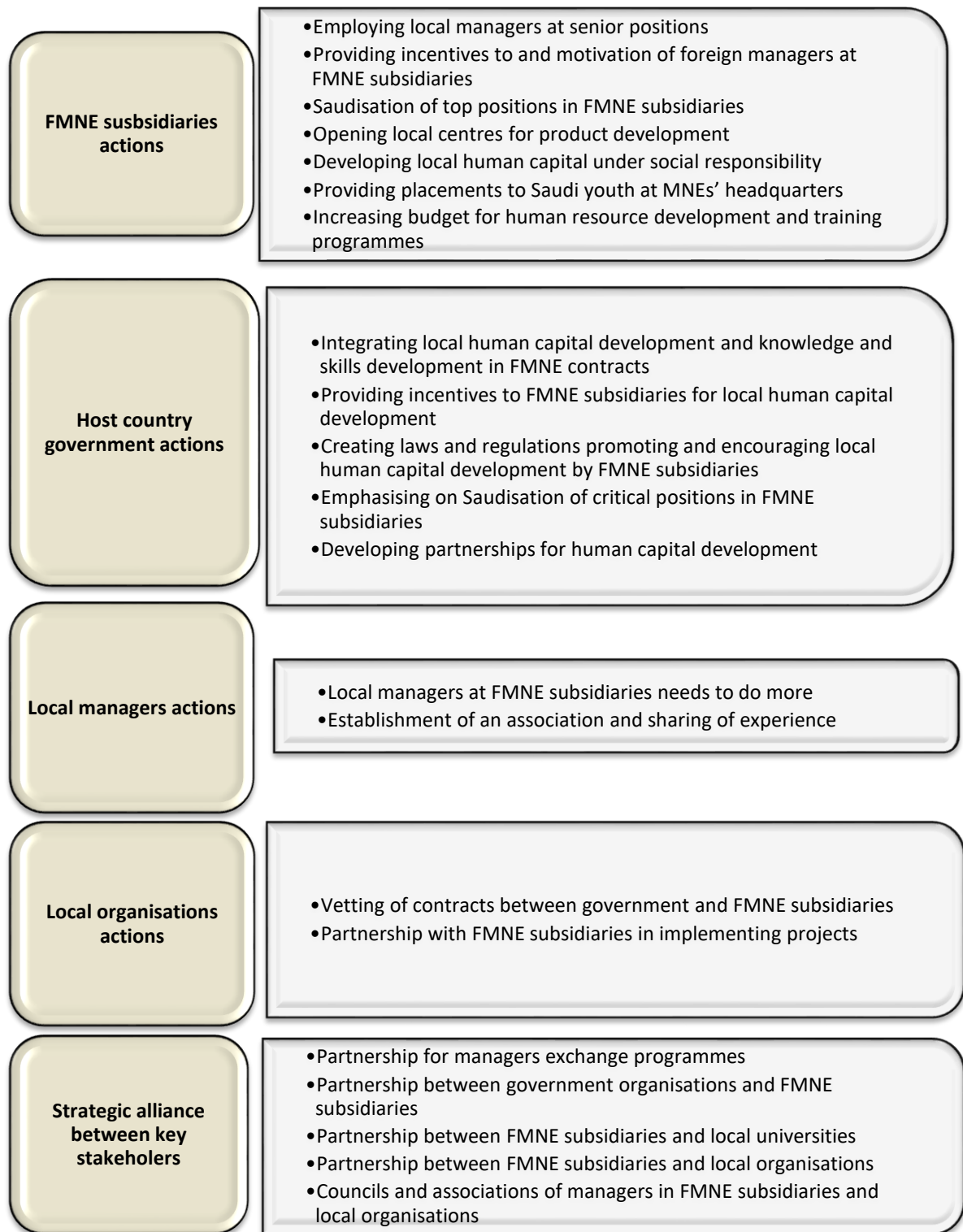


Figure 7-4 Suggestions for enhancing IFDI contributions in local human capital development in developing countries

Source: Researcher.

Furthermore, the findings of the present study revealed that IFDI contribution in local human capital development in developing countries could be increased by FMNE subsidiaries' social responsibility for local human capital development in developing countries (Narwal and Singh, 2013; Lund-Thomsen and Lindgreen, 2014). For example, FMNE subsidiaries could develop T&D programme for local youth such as summer schools in the host country. The findings also suggested that IFDI contribution in local human capital development in developing countries could be increased through offering local fresh graduates placements at FMNE subsidiaries in the host country and at FMNE HQs in the home country. In addition, IFDI contributions in local human capital development in developing countries could be enhanced through FMNE subsidiaries earmarking of more funds for local human capital development in host developing countries because FMNE subsidiaries usually have a very limited budget for T&D of local employees in the host developing countries (Hooi, 2007; 2010).

Actions by the host country government

The findings of the present study showed that for enhancing IFDI contributions in local human capital development, the government of host developing country needs to undertake several actions. These actions include integrating knowledge and skills development in contracts with FMNE subsidiaries, creating laws and regulations promoting and encouraging local human capital development, emphasising on Saudisation of critical positions, developing partnerships and providing incentives to FMNE subsidiaries for local human capital development (Cleeve, Debrah, and Yiheyis, 2015; Osabutey, Williams and Debrah, 2014). These suggested actions are discussed below.

IFDI contributions in local human capital development in developing countries could be enhanced by host country government through integrating local human capital

development and K&S development in contracts and licences with FMNE subsidiaries. This can be applied to FMNE subsidiaries that got very big contracts and those FMNE subsidiaries, whose sales have increased in the last few years. Integrating local human capital development in contracts is important because FMNE subsidiaries' T&D programmes are significantly associated with spillovers to local organisations in developing countries (Salim, Razavi, and Afshari-Mofrad, 2015). The main argument in favour of this suggestion is that since FMNE subsidiaries in some countries such as Saudi Arabia do not pay sales tax; hence, they should spend at least 25% of their profits on T&D programmes of local youth. Therefore, they can contribute in local human capital development in the country.

Earlier empirical literature shows that FMNE subsidiaries could spend up to 20% of their sales on T&D programmes that has a significant positive impact on spillovers to local organisations in developing countries (Marin and Bell, 2006). However, literature shows that FMNE subsidiaries could restrict K&S transfer to local organisations in the host countries (Ghazinoory and Heydari, 2008). This could be due to lack of formal agreements between FMNE subsidiaries and host country government regarding local human capital development by FMNE subsidiaries. The findings of the present study therefore suggested that the host country government should sign formal memorandum of understanding with FMNE subsidiaries for investing in local human capital development involving employees of government and private organisations and graduates from local universities.

In addition, the present study revealed that for enhancing IFDI contributions in local human capital development, the host country government should provide incentives (Cleeve, Debrah, and Yiheyis, 2015; Osabutey, Williams and Debrah, 2014). For example, tax breaks, tax holidays, fiscal inducements and other incentives e.g. funds

from national human resource development fund (human resource development) to FMNE subsidiaries that provide invest in local human capital development (Kukeli, 2004; Zhao and Zhang, 2010; Anyanwu, Yaméogo and Ali, 2016). The findings also showed that the host country government could create new laws and regulations for local human capital development which should be respected and adopted by FMNE subsidiaries (Novitskaya and Brewster, 2016).

Moreover, the present study revealed that for enhancing IFDI contributions in local human capital development in developing countries it is important to emphasise upon appointment of locals at senior positions in FMNE subsidiaries where there are very few locals at the key and critical positions. For example, in Saudi Arabia, government should stress on Saudisation i.e. employment of Saudis on the senior and critical positions in FMNE subsidiaries (Alanezi, 2012). The argument in favour of the role of Saudisation at higher positions in FMNE subsidiaries is that the higher potential of K&S transfer to locals through the mobility of these senior local managers to local organisations in the country. For developing countries, employment of locals at senior positions in FMNE subsidiaries is imperative because the holders of these positions have advanced management and intrapreneurial skills (Leshner and Miroudot, 2008; Fu, 2012; Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016). This is also important because their mobility to local organisations will transfer know how about FMNE subsidiaries to local organisations, which could contribute in the availability of advanced management and intrapreneurial skills that could enhance the productivity and business competencies (Spencer, 2008; Bekes, Kleinert and Toubal, 2009; Ghauri and Firth, 2011; Gachino, 2012; Gerschewski, 2013; Mariotti, et al., 2015). The findings of the present study showed that IFDI contributions in local human capital development in developing countries could be enhanced through development of partnership for local human capital

development at different levels for example a partnership between the host country government and FMNE subsidiaries (Meyer 2004; Pruthi and Wright, 2017).

Actions by local managers

The present study showed that IFDI contributions in local human capital development in developing countries can be increased by local managers working at FMNE subsidiaries. These local managers can strive for and take practical actions for K&S transfer to locals. For example, FMNE based local managers could establish professional associations through which they can share experiences and disseminate K&S to others local managers. Establishment of networks and associations of local managers working at FMNE subsidiaries could serve as hubs of transfer of advanced knowledge and skills (Gerschewski, 2013; Poole, 2013; Perri and Peruffo, 2016) and global management and business processes gained at FMNE subsidiaries (Mariotti, et al., 2015).

Actions by local organisations

The findings showed that IFDI contributions in local human capital development in developing countries could be increased through local organisations' involvement in vetting of contracts between FMNE subsidiaries and host country government and developing working partnership between local organisations and FMNE subsidiaries in implementing FMNE projects. The argument in favour of local organisations' involvement in vetting of contracts between government and FMNE subsidiaries is based on the premise that local organisations working in the same business activity could better understand the local needs. Hence, they can suggest specific K&S transfer to locals. For example, local organisations and FMNE subsidiaries working in the same sector such as IT could lead to development of local expertise and experience, and enhance K&S transfer to locals, which could contribute in local human capital development (Patra and Krishna, 2015).

Key stakeholders' collaboration and cooperation

Lastly, the findings of the present study showed that contributions of IFDI in local human capital development in developing countries could be enhanced through collaboration and cooperation between the key stakeholders. The suggestions in this regard include developing partnership for managers' exchange programmes, partnership between government organisations and FMNE subsidiaries, partnership between FMNE subsidiaries and local universities, partnership between FMNE subsidiaries and local organisations and establish councils and associations of HR managers working in both FMNE subsidiaries and local organisations.

In addition, the present study showed that exchange programmes for local managers between FMNE subsidiaries, host country government and local organisations could help in transfer of K&S and cross fertilisation of knowledge clusters (Meyer, 2004; Algeo, 2015); hence, it would enhance IFDI contribution in local human capital development in the host country. The findings of the present study revealed that IFDI contributions in local human capital development in developing countries could be enhanced by partnerships between local organisations and FMNE subsidiaries working in the same sector (Patra and Krishna, 2015). In addition, partnerships between FMNE subsidiaries and local organisations would also provide opportunities for exchange and sharing of global knowledge by FMNE subsidiaries and local context specific knowledge and expertise by the local organisations (London and Hard, 2004); hence partnerships between local organisations and FMNE subsidiaries could provide strategic benefits to both types of the organisations.

Moreover, FMNE subsidiaries could help in local human capital development through advice, guidance and recommendations for local human capital development and delivering targeted T&D programmes for locals such as government sector employees.

However, this would need partnership between FMNE subsidiaries and government organisations (Pruthi and Wright, 2017). The findings of the present study also showed that partnership between FMNE subsidiaries and local universities in the host country could also contribute in local human capital development through research collaboration and developing partnerships for training and placement of fresh graduates from the local universities. In this regard, literature shows that collaboration between FMNE subsidiaries and local universities in the host country could provide local hubs for innovation and knowledge creation and sharing (Guimón, and Salazar-Elena, 2015). FMNE subsidiaries could embed their businesses and activities in developing countries through close collaboration and interaction with local organisations, universities, research institutes, supplier and customers and other stakeholders (Pearce and Papanastassiou, 2006; Kesidou, Caniëls and Romijn, 2009).

Thus, the development of a strategic alliance involving the key stakeholders: the host country government, FMNE subsidiaries, local organisations and local educational institutions could play a significant role in local human capital development by FMNE subsidiaries in developing countries (Guimón, and Salazar-Elena, 2015; Pruthi and Wright, 2017).

The next section provides discussion on the conceptual framework developed and applied in the present study.

7.6 Revised conceptual framework

In the present study, the researcher applied a conceptual framework (Figure 4-3), which was developed based on a review of relevant published literature (Appendices 1, 2 and 3). The findings of the present study presented in chapter 6 have provided latest empirical evidence confirming all propositions from P1 to P5 that were suggested in the

conceptual framework (Figure 4-3). Consequent to the findings of the present study, it is imperative to update the literature review based conceptual framework (Figure 4-3) and present a revised conceptual framework (Figure 7-5) based on the empirical evidence coming from the present study.

In the revised conceptual framework (Figure 7-5), all assumptions (including their numbering and their contents) are the same as given in the earlier conceptual framework (Figure 4-3). In additions, the numbering and headings of all propositions are the same in both the earlier conceptual framework (Figure 4-3) and the revised conceptual framework (Figure 7-5). However, the only difference between the two frameworks is the addition of specific new issues identified regarding the propositions in the present study and their addition in blue italic font in the revised conceptual framework (Figure 7-5). These new issues added to the revised conceptual framework (Figure 7-5) are discussed below.

In proposition P1 (FMNE subsidiaries' investment in human resource development and training programmes for developing knowledge and skills of local managers), the new additions include: types, durations, locations and impacts of the human resource development and training programmes. Similarly, in proposition P2 (FMNE trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons), the additions include: individual preferences and requirements, job and organisation related reasons and social reasons, which were new categories of reasons of trained local managers' mobility from FMNE subsidiaries to local organisations that were found in the present study.

In addition, in proposition P3 (Spillovers: human skills and knowledge transfer to local organisations), the new additions are: transfer of K&S, advancement of professional capabilities, introduction of new working culture improvement, transfer of business

processes and development of intrapreneurial skills. Moreover, in proposition P4 (i.e. Human capital related impacts on local organisations), the additions include: changes in work behaviours, ethics and culture, promotion of creative thinking, transfer of business processes of FMNE subsidiaries and improvement in capabilities and performance.

Lastly, in proposition P5 (IFDI contributes in local human capital development in host developing countries), the additions include actions by FMNE subsidiaries, the host country government, local managers and local organisations for enhancing IFDI contributions in local human capital development in host developing countries.

In the revised framework (Figure 7-5), the new additions are called as ‘empirical additions’ (given in italic font in blue colour), which are based on the new empirical findings based on the present study. These additions are based on the empirical findings reflecting the cumulative views of all three types of participants i.e. FMNE subsidiaries managers, local mobile managers and local organisations managers. Details of the additions in the revised conceptual framework (Figure 7-5) are explained below.

In relation to proposition P1, (FMNE subsidiaries’ investment in human resource development and training programmes for developing knowledge and skills of local managers), findings of the present study revealed different reasons, types, duration, locations and impacts. Detailed descriptions of these findings are presented in section 6.2 in chapter 6 (Findings), discussed in section 7.1 in the present chapter (Chapter 7-Discussion). These findings are outlined below.

- Reasons of FMNE subsidiaries’ human resource development and training programmes for local managers: Filling K&S skills gap and developing competencies of local managers, meeting employee and organisational needs, strategic investment for lowering costs and avoiding business risks.
- Types of FMNE subsidiaries’ human resource development and training programmes for local managers: Different broad categories i.e. soft skills

development programmes, functional, business and technical programmes, talent management programmes and leadership programmes

- Duration of FMNE subsidiaries' human resource development and training programmes for local managers: Short-term (days-weeks) and long-term (months-years)
- Location of FMNE subsidiaries' human resource development and training programmes for local managers: on job in the FMNE subsidiaries, locally in the host country and overseas (usually in developed countries)
- Impacts of FMNE subsidiaries' human resource development and training programmes for local managers: Positive impacts on both the local managers and the FMNE subsidiaries such as development of K&S and increased performance and productivity.

These findings related to proposition P.1 have been added (in italic font in blue colour) in the revised the conceptual framework (Figure 7-5).

Regarding proposition P2 (FMNE trained local managers' mobility from FMNE subsidiaries to local organisations: Reasons), the findings of the present study confirmed the financial and career progression reasons reported in the earlier literature and shown in conceptual framework (Figure 7-5). The findings also identified other specific reasons i.e. individual preferences and requirements, job and organisation related reasons and social reasons. Details of these additional reasons of FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations are presented in section 6.3 in the chapter 6 (Findings) and discussed in section 7.2 in chapter 7 (Discussion) and these are added to the revised conceptual framework (Figure 7-5).

About the proposition P3 (Spillovers: Human skills and knowledge transfer to local organisations), the present study revealed different types of spillovers, which include the following.

- Transfer of K&S.
- Advancement of professional capabilities.
- Introduction of new work culture.
- Transfer of business processes.
- Development and application of intrapreneurial skills.

These findings are reported in section 6.4 in chapter 6 (Findings), discussed in section 7.3 in this chapter (Discussion) and added to the revised conceptual framework (Figure 7-5).

Regarding proposition P4 (Human capital related impacts on local organisations), the present study confirmed findings i.e. increased productivity, upgrading of management skills and availability of intrapreneurial skills in local organisations due to FMNE subsidiaries trained local managers' mobility reported in the literature. In addition, the present study showed some additional IFDI led human capital related impacts as follows:

- Changes in work behaviours, ethics and culture.
- Promotion of creative thinking.
- Transfer of business processes of FMNE subsidiaries.
- Improvement in capabilities and performance.

These findings about P4 are reported in section 6.5 in Chapter 6 (Findings), discussed in section 7.4 in the present chapter (Discussion) and incorporated in the revised conceptual framework (Figure 7-5).

About proposition P5 (i.e. IFDI contributes in local human capital development in host developing countries), the present study identified a number of positive impacts on local human capital development through K&S development of local managers. The positive impacts were also because of T&D programmes for employees in government organisations and private organisations and for the local youth and fresh graduates,

development of local capabilities, competencies and leadership (Zhang, Cantwell and Jiang, 2014; Ha and Giroud, 2015).

However, the present study provided further insights on how IFDI contribution in local human capital development in developing countries could be improved. In this regard, the present study identified several suggestions that proposed specific actions to be taken by the key stakeholders i.e. FMNE subsidiaries, the host country government, local managers, local organisations and local institutions such as universities in the host developing countries. These findings about P5 are reported in section 6.6.2 in Chapter 6 (Findings), discussed in section 7.5.2 in the present chapter (Discussion) and incorporated in the revised conceptual framework (Figure 7-5).

Consequently, the revised conceptual framework (Figure 7-5) provides a detailed picture of IFDI led local human capital development in the context of host developing countries. This framework shows empirical evidence on the study objectives and propositions of the present study as follows:

- The reasons, types, duration, location and impacts of FMNE subsidiaries' human resource development and training programmes for local managers (Proposition 1, study objective 1).
- The reasons of trained local managers' mobility from FMNE subsidiaries to local organisations (Proposition 2, study objective 2).
- Human skills and knowledge transfer related IFDI spillovers to local organisations (Propositions 3, study objective 3).
- Human capital related impacts on local organisations due to local managers' mobility to local organisations in developing countries (Propositions 4, study objective 4).

- IFDI contributions in local human capital development in developing countries (Proposition 5, study objective 5).

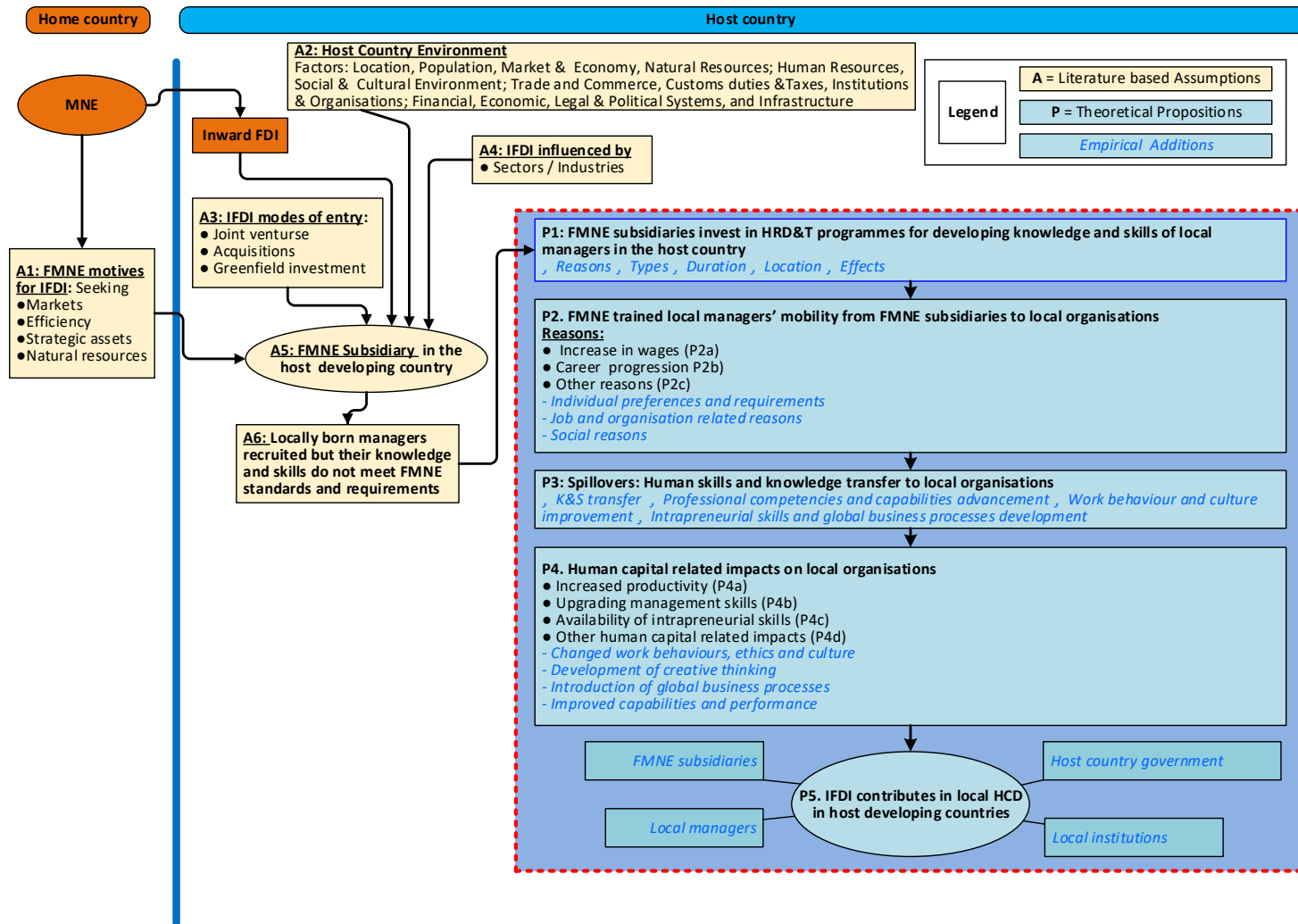


Figure 7-5 Post-empirical update of conceptual framework.

7.7 Summary

This study revealed that managerial positions in FMNE subsidiaries and local organisations in developing countries like Saudi Arabia are mainly occupied by male managers and the percentage of female managers is very low (up to 12.5% identified in the present study).

The present study provides empirical evidence that in developing countries FMNE subsidiaries provide human resource development and training programmes for local managers as a strategic philosophy and investment for developing K&S of their local managers. This study has shown that FMNE subsidiaries' human resource development and training for local managers are more often aimed at filling the K&S gap of local managers and meeting the business needs of FMNE subsidiaries in developing countries. The present study has also identified that in developing countries FMNE subsidiaries provide a range of short-term and long-term human resource development and training programmes for local managers. These T&D programmes include short-term programmes such as soft skills development programmes such as in conflict resolution (one day), negotiations with customers (one day) and customers need analysis programme (2-3 days) and long-term programmes such as advanced level talent development programmes and leadership programmes. FMNE subsidiaries provide T&D programmes both in the host country and overseas mostly in developed countries such as the UK and USA. In addition, the present study has revealed that FMNE human resource development and training programmes have positive impacts on mobile local managers. For example, better knowledge of work environment, rights and responsibilities, improvement in skills and abilities, increased performance, interaction with senior managers and overseas experts, opportunities for innovation and entrepreneurship, competence development.

This empirical study has confirmed that in developing countries local managers move from FMNE subsidiaries to local organisations mainly for financial / monetary benefits (e.g. higher salary) and career progression (e.g. higher positions and faster promotions). In addition, the present study has identified that individual preferences and requirements (e.g. balance between work and family), job and organisational factors (location and avoiding work pressure) and social reasons (e.g. higher authority and social image of a higher position) are also important reasons of local managers' mobility from FMNE subsidiaries to local organisations in developing countries.

Moreover, the present study has confirmed that human skills and knowledge transfer related IFDI spillovers occur when trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries. These IFDI spillovers include transfer of knowledge and skills, advancement of professional capabilities, introduction of new work culture, transfer of businesses processes and development of intrapreneurial skills.

This empirical study has also confirmed human capital related positive impacts on local organisations because of trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries. The human capital related positive impacts on local organisations include increased productivity, upgrading of management skills, availability of intrapreneurial skills, changes in work behaviours, ethics and culture, promotion of creative thinking, transfer of business processes of FMNE subsidiaries and improvement in capabilities and performance.

Furthermore, the present study has shown that IFDI contributes in local human capital development in the host developing countries through K&S development and dissemination and introduction of foreign work culture and ethics. In addition, they provide training to employees in government and local organisations and staff in

universities. They also provide work experience to local youth and develop competencies and intrapreneurial skills of local managers. In addition, this study has identified several suggestions that could enhance IFDI contributions in local human capital development in developing countries. These suggestions propose a range of actions that needs to be taken by FMNE subsidiaries, the host country government, local organisations, local managers and local institutions in developing countries. Lastly, the present study has found that for local human capital development in developing countries there is a need for strategic alliance between government, FMNE subsidiaries, local organisations and local institutions e.g. universities.

Overall, the present study shows that FMNE subsidiaries provide T&D programmes for local managers in three broad domains: soft-skills development programmes; functional, business, technical skills development programmes; and talent management and leadership skills development programmes. These programmes contribute in skills and knowledge development in specific areas that are covered in these programmes. For example, soft skills development programmes contribute in development of soft skills such as the presentation and communication skills which are transferable skills that are required from managers working in organisations across industries and sectors. The spillovers of these programmes are more likely to be wider and occur in intra and inter industry and sector.

Whereas, the functional, business and technical programmes contribute skills and knowledge development in specific business functions and technical areas that has spillovers which may be limited or wide depending on the type of the area of skills and knowledge. For example, skills and knowledge in development of IT software by Oracle and simulation applications in aerospace by the BAE Systems, which these highly technical and specific areas could lead to spillovers only in these specific industries such

as IT and communication industry or aerospace industry. However, spillovers of skills development in specific functions such as customer relations or project management are wider because skills and knowledge in these areas are not limited to any specific industry or business sector.

In addition, the advanced level training programmes such as talent management and leadership programmes are focused at enhancing skills and knowledge in talent management and leadership for senior managers. The spillovers of these high-level management and leadership skills are more likely to be transferred and applied across industries and sectors. Hence, these programmes would have wider spillovers.

Nonetheless, the link between the FMNE training and development programmes and the resultant spillovers is not straightforward because there are several factors that inhibit spillovers of these programmes. These factors include organisational culture, size of the organisation, leadership and management styles, knowledge and skills development (Farole and Winkler, 2014, p. 158-159; Lenaerts and Merlevede, 2015). In addition, the spillovers of knowledge and skills transfer to local organisations are blocked by FMNE subsidiaries by retaining trained local managers at higher wages and higher positions (Pesola, 2007; Spencer, 2008; De Grip and Sauermann, 2013). Therefore, IFDI led spillovers of human skills and knowledge transfer from FMNE subsidiaries to local organisations in developing countries have been considered as a big challenge (Saggi, 2002, Smeets, 2008).

In conclusion, the present study provides evidence that IFDI has several contributions in local human capital development in host developing countries. The findings of the present study suggest that developing countries such as Saudi Arabia that have low human capital development need to focus on FMNE subsidiaries that bring good IFDI, which contributes in local human capital development.

8 CHAPTER 8: CONCLUSION

This doctoral study focused on the impact of IFDI on local human capital development in developing countries. This study has attempted to explore the following issues:

- The reasons, types, location, duration and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries (study objective 1, research question 1, and proposition 1).
- The reasons of trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries (study objective 2, research question 2, proposition 2).
- IFDI spillovers related to human skills and knowledge transfer to local organisations due to local manager mobility to local organisations in developing countries (study objective 3, research question 3, propositions 3).
- Human capital related impacts on local organisations due to local managers' mobility to local organisations in developing countries (study objective 4, research question 4, propositions 4).
- IFDI contributions in local human capital development in developing countries (study objective 5, research question 5, proposition 5).

This study provides empirical evidence from a developing country i.e. Saudi Arabia, which provided an ideal context for the present study, which is described in chapter 2.

This chapter comprises six sections. The first section presents conclusions based on the findings of the present study. The second section reports contributions of the present study. The third section highlights the strengths and limitations of the present study. The fourth section reports the difficulties encountered by the researcher in undertaking the present study. The fifth section suggests recommendations for the future research in the

domain of IFDI led local human capital development in host developing countries. The last section presents a summary of the chapter that concludes the thesis.

8.1 Summary of findings

This study investigated impacts of IFDI on local human capital development in developing countries. The present study was undertaken in Saudi Arabia, which is a rich economy, a largest developing country and a largest recipient of IFDI in the Middle East. The empirical data were collected through semi-structured interviews with 24 managers working in FMNE subsidiaries (n=3) and local organisations (n=3) in the country.

The inductive thematic analysis of qualitative interview data revealed that FMNE subsidiaries provide T&D programmes for local managers, which is considered as an investment that is a part of FMNE subsidiaries' cost saving and business strategy. The findings showed that FMNE subsidiaries' T&D programmes for local managers are basically aimed at filling gaps in the K&S of local managers, increasing local managers' performance and productivity and meeting the business needs of FMNE subsidiaries.

FMNE subsidiaries provide various types of T&D programmes that vary in the nature. For example, soft skills development training programmes that focus on the presentation and communication skills, which are important transferable skills. FMNE subsidiaries also provide functional and technical training programmes related to specific job functions such as dealing with complex projects and technical matters. The FMNE subsidiaries also provide T&D programmes that are for various levels of managers and specific positions. For example, talent management training programmes for leadership and senior level positions. These programmes are important for FMNE subsidiaries because they increase competitive advantages.

FMNE subsidiaries provide on the job training and development to local managers. This type of training is generally job specific training. In addition, FMNE subsidiaries provide out of the job training, which is either in the host developing country or overseas. The overseas T&D programmes by FMNE subsidiaries are mostly held in the developed countries that are often the home countries of the provider FMNE subsidiaries. For example, BAE Systems subsidiary in Saudi Arabia provided overseas training to their local managers in the UK, which is the home country of the BAE systems. In addition, FMNE subsidiaries provide T&D programmes for their local managers in other developed countries where they have their international branches.

Duration wise, FMNE subsidiaries' T&D programmes for local managers in developing countries fall within two main categories i.e. short-term and long-term programmes. The short-term T&D programmes are provided for a short period. The duration of these programmes is between one day and few weeks. Examples of the short-term T&D programmes include training in conflict resolution (one day), negotiations with customers (one day) and customers need analysis programme (2-3 days). In addition, the short-term T&D programmes are often arranged locally by FMNE subsidiaries. However, the long-term T&D programmes are held for longer period that could be up to 24 months. For example, the leadership programmes such as MBA Executive courses that are typically held at universities in developed countries such as the UK.

FMNE subsidiaries' T&D programmes result in positive impacts on local managers as well as on FMNE subsidiaries. The impact of these T&D programmes on local managers include K&S development, better understanding of organisational business and work, increased performance and productivity, development of creative ideas and problem solutions, and increased interaction with experts from other countries. Consequently, FMNE subsidiaries also benefit from T&D programmes for local managers. Beneficial

impacts on FMNE subsidiaries include increased organisational performance and increased productivity and business. These findings confirm that T&D programmes for local managers improve local managers' performance, which also improves the FMNE subsidiaries performance.

The evidence from the present study also shows that FMNE subsidiaries' T&D programmes for local managers result in increased potential for promotion and career progression of local managers. Therefore, trained local managers could either stay at the same FMNE subsidiary for financial gains or a higher position or move to other organisations such as local organisations for higher positions and monetary benefits such as higher wages.

However, career progression and monetary benefits such as higher wages are not the only reasons for trained local managers' mobility to local organisations in developing countries. The other reasons of trained local managers' mobility to local organisations include personal factors. For example, balance between work and family life, suitable working hours especially for female managers, individuals' general work behaviours, practices and ethics; issues related to job and organisation such as work pressure, performance and targets and social reasons.

The present study also provides evidence that there are human skills and knowledge transfer related IFDI spillovers to local organisations, which result due to trained local managers' mobility from FMNE subsidiaries to local organisations. These spillovers include transfer of K&S, advancement of professional capabilities and introduction of new work culture of FMNE subsidiaries. The work culture, behaviours and ethics in developing countries are generally considered as less productive, inefficient and reflective of the national culture rather than the organisational and managerial cultures.

Hence, introduction of FMNE subsidiaries' work cultures in local organisations could have positive impacts.

Additional human skills and knowledge transfer related spillovers to local organisations include transfer of business processes, which could have positive impacts on local organisations. Moreover, there is development of intrapreneurial skills, which is also a human skills and knowledge transfer related spillover to local organisations.

These human skills and knowledge transfer related spillovers result in positive impacts on local organisations. For example, increasing productivity, upgrading of advanced management skills, intrapreneurial skills, changing in work behaviours, work ethics and promotion of creative thinking. In addition, transfer of business processes of FMNE subsidiaries and improvement in the capabilities and performance of other managers and workers at local organisations.

Thus, through FMNE subsidiaries' human resource development and training programmes for local managers, IFDI has several contributions in local human capital development in developing countries. The IFDI contributions in local human capital development include development of knowledge and skills of local managers, development of local leadership, development of professional capabilities, improvement in performance, training and internship of new graduates. The additional contributions are partnerships with universities for training local graduates, training and development of staff in government and local organisations, targeted local human capital development in specific business areas and processes and human capital development and employment of locals.

In conclusion, FMNE subsidiaries provide T&D programmes for local managers in three broad areas i.e. soft-skills development; functional, business, and technical skills

development; and talent management and leadership skills development. There are spillovers due to the transfer of these skills and knowledge development to local organisations because of local managers' mobility from FMNE subsidiaries to local organisations in host developing countries. However, these spillovers depend on the type of training programmes. For example, soft skills development programmes contribute in development of soft skills such as the presentation and communication skills which are transferable skills that are required from managers working in organisations across industries and sectors. Therefore, the spillovers of these programmes are more likely to be wider and occur in intra and inter industry and sector.

The spillovers of functional, business and technical programmes that contribute skills and knowledge development in specific business functions and technical areas could result in either limited or wider spillovers depending on the type of the area of skills and knowledge. For example, skills and knowledge in development of IT software and simulation applications in Aerospace, highly technical and specific areas, could lead to spillovers only in the specific industries such as IT, Communication and Aerospace industries. However, spillovers of skills development in specific functions such as Customer Relations or Project Management could be wider because skills and knowledge in these areas are not limited to any specific industry or business sector.

In addition, spillovers of advanced level training programmes such as talent management and leadership programmes which focus on the development of senior managers' skills in talent management and leadership have larger spillovers impacts because of the transferability and application of management and leadership skills across industries and sectors. Thus, it could be argued that the type of training and development programmes determines the scope of human capital related spillovers to local organisations.

Overall, the present study provides empirical evidence that IFDI has several positive contributions in local human capital development in host developing countries. They occur because of FMNE subsidiaries training and development programmes for local managers and human skills and knowledge transfer spillovers due to trained managers mobility from FMNE subsidiaries to local organisations in the service sector. IFDI contributions in local human capital development in developing countries could be enhanced. The future research may investigate ways and means of enhancing IFDI contributions in local human capital development in developing countries.

8.2 Contributions of the present study

This study provides contributions to the body of knowledge as follows.

- 1) This study provides empirical evidence that there are positive links between IFDI and human capital development in developing countries.
- 2) This study provides empirical identification of reasons, types, locations, duration and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in host developing countries.
- 3) This study has identified actual reasons of trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries.
- 4) This study provides empirical evidence on spillovers related to human skills and knowledge transfer to local organisations due to trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries.
- 5) This study has empirically identified human capital related impacts on local organisations because of trained local managers' mobility from FMNE subsidiaries to local organisations in host developing countries.
- 6) This study provides empirical evidence on positive IFDI contributions in local human capital development in host developing countries.

7) Present study could support government policy formulation regarding IFDI and human capital development in developing countries by identifying a few suggestions (section 6.6 in chapter 6 and section 7.5.2 in chapter 7), which could help in enhancing IFDI contributions in local human capital development in developing countries.

8.3 Strengths and limitations of the present study

The present study has a number of strengths and weaknesses that are reported below.

8.3.1 Strengths of present study

The present study has many strengths. The present study is a strategic study related to an important issue i.e. IFDI led human capital development in developing countries, which is investigated in the context of Saudi Arabia. This research study has focused on the critical role of IFDI in human capital development in developing countries through FMNE subsidiaries' human resource development and training programmes for local managers in the host developing countries. None of the prior studies has investigated in detail FMNE subsidiaries' human resource development and training programmes for local managers in the context of developing countries like Saudi Arabia and the associated spillovers and impacts.

The present study has provided empirical evidence to answer to five research questions on the following issues:

- Reasons, types, duration, location and impacts of FMNE subsidiaries' human resource development and training programmes for local managers in developing countries.
- Reasons of trained local managers' mobility from FMNE subsidiaries to local organisations in developing countries.

- IFDI Spillovers - human skills and knowledge transfer to local organisations.
- Human capital related impacts on local organisations due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries.
- IFDI contributions in local human capital development in developing countries.

In addition, the present study has provided empirical evidence collected by semi structured interviews with 24 managers working at FMNE subsidiaries and local organisations in the KSA.

Thus, this study has expanded qualitative research literature on IFDI led human skills and knowledge spillovers to local organisations in developing countries.

Furthermore, this research study provides empirical evidence on spillovers of human skills and knowledge transfer to local organisations in the services sector in the context of Saudi Arabia.

This research study provides empirical evidence and creates opportunities for other researchers through development of a conceptual framework on IFDI led local human capital development and related spillovers and impacts (Figure 7-5), which could be useful and suitable for undertaking further empirical research.

The last but not the least strength of the present study includes involvement of three types of participants i.e. FMNE subsidiaries' managers, local mobile managers and local organisations' managers, which helped in cross validation of the information provided by the participants.

8.3.2 Limitations of present study

The present study has limitations as follows.

Findings of this study are not very generalisable because this is an interpretive study, based on relatively small number of in-depth interviews, within the services sector in Saudi Arabia.

This study involved only six services sector organisations that included three FMNE subsidiaries and three local organisations that had their country head offices located in Riyadh – the capital city of Saudi Arabia.

The participating managers working in the selected organisations in the services sector might have perspectives and experiences that could differ from the perspectives of managers working in other sectors of economy such as the manufacturing sector.

There were only 3 female participants out of 24 participants; therefore, therefore findings of the present study could be biased towards the perspectives of male managers.

Therefore, there are limits to any generalisation that can reasonably be made from research findings of the present study. It is however imperative to state that the aim of the methodology used was to generate illustrative findings, based on the identification and interpretation of interviewees' ideas, opinions and attitudes. Therefore, greater generalizability can be achieved by future survey based studies that could follow on from the findings of the present study.

8.4 Difficulties encountered in undertaking the present study

The researcher encountered some difficulties whilst undertaking the empirical field work in the present study. These difficulties include the following.

8.4.1 Difficulties in coordinating interviews with research participants

The first and foremost difficulty faced in the data collection by the researcher was difficulty in coordinating interviews with some research participants, who were the executives and senior managers. The researcher acknowledges that these difficulties were because they were often busy; hence, the interview schedules were cancelled. The interviews with these participants were re-arranged after repeated contacts through phone calls and visiting their offices by the researcher.

8.4.2 Lengthy interviews consuming too much time

Many of the executives and directors interviewed by the researcher understood the nature of the research topic and became very impressed with the importance of the subject. Consequently, they expanded the discussion on various topics included in the interview protocol; hence, interviewing them took long time than scheduled.

8.4.3 Strict security procedures at participants' organisations

There were strict security procedures for entry and getting security permits at the offices of some FMNE subsidiaries and local organisations. Therefore, it was difficult to have face to face interviews with participants from these organisations. Hence, participants from these organisations were interviewed by a telephone call.

8.4.4 The timing - closing of financial year

The researcher undertook the empirical fieldwork i.e. data collection through face-to-face interviews between December 2016 and January 2017. This period of the year was the closing period of the financial accounts for some FMNE subsidiaries, which resulted in apologies for their cooperation in the present study. Hence, the researcher had no choice but to contact with other organisations for data collection.

8.5 Recommendations for the future research

The present study provides evidence on IFDI impact on local human capital development in developing countries. This study involved development, testing and updating of a conceptual framework on IFDI led local human capital development in developing countries (Figure 4-3, Figure 7-5), analysis of empirical qualitative data collected through semi-structured interviews involving managers working in FMNE subsidiaries and local organisations in Saudi Arabia. The findings of the present study call for further research in the domain of IFDI led local human capital development in developing countries. Some specific recommendations for the future research are suggested below.

8.5.1 Females at managerial positions in developing countries

The present study revealed that the ratio of female managers to male managers was about 1:10 in the organisations that participated in the present study. These findings suggest that there is a need for further empirical research to find answers to the following research questions:

- What are the reasons and impacts of a low number of local female managers in FMNE subsidiaries and local organisations in developing countries?

8.5.2 Reasons for local managers' mobility to local organisations

The present study confirmed that local managers move from FMNE subsidiaries to local organisation in developing countries mainly for career progression and financial benefits. In addition, the present study identified that individual preferences, job and organisation related factors and social issues also lead to local managers' mobility from FMNE subsidiaries to local organisations in developing countries such as Saudi Arabia. These are new insights related to the reasons of local managers' mobility from FMNE

subsidiaries to local organisations in the context of developing countries. These findings suggest further research to find answers to the following questions:

- What are the most important and the least important reasons of local managers' mobility from FMNE subsidiaries to local organisations in developing countries?
- What are the reasons that significantly predict local managers' mobility from FMNE subsidiaries to local organisations in developing countries?

8.5.3 Spillovers: human skills and knowledge transfer to local organisations

The present study identified a number of spillovers of human skills and knowledge transfer due to local managers' mobility from FMNE subsidiaries to local organisations and subsequent positive impacts on local organisations in developing countries. There is therefore a need for further research to answer to the following research question.

- How to enhance spillovers of human skills and knowledge transfer from FMNE subsidiaries to local organisations in developing countries?

8.5.4 Human capital related impacts on local organisations

The present study identified a number of human capital related positive impacts on local organisations because of local managers' mobility from FMNE subsidiaries to local organisations. There is therefore a need for further research to answer to the following research question.

- What are factors that promote human capital related positive impacts on local organisations in host developing countries?
- What are negative impacts on local organisations due to local managers' mobility from FMNE subsidiaries to local organisations in developing countries?

8.5.5 IFDI contributions in local human capital development in developing countries

In the present study, several positive contributions of IFDI in local human capital development were identified in the context of Saudi Arabia. In addition, the present study identified some suggestions for enhancing IFDI contributions in local human capital development in developing countries. The present study identified that collaboration and cooperation between different key stakeholders i.e. FMNE subsidiaries, host country government, local managers, local organisations and local institutions could enhance IFDI contributions in local human capital development in developing countries. This is therefore a need for further research to answer to the following research questions:

- How to enhance IFDI contributions in local human capital development in developing countries?
- What are specific actions by the host country government, FMNE subsidiaries, local managers, local organisations and local institutions for enhancing IFDI led local human capital development in developing countries?

8.5.6 Empirical testing of conceptual framework on IFDI led local human capital development in developing countries

The present study developed a conceptual framework (Figure 4-3) on IFDI led local human capital development in developing countries based on a systematic literature review. The conceptual framework (Figure 4-3) was revised and updated based on the empirical findings of the present study. The revised conceptual framework (Figure 7-5) comprises five propositions, which comprise a number of issues that could be converted in to constructs and sub-constructs. There is therefore a need for further research to:

- Validate the revised conceptual framework (Figure 7-5) on IFDI led local human capital development in developing countries.

8.6 Summary

The present study provides empirical evidence on IFDI contributions in local human capital development in developing countries based on qualitative semi-structured interviews with participants. The participants included three types of managers i.e. managers at FMNE subsidiaries, FMNE subsidiaries trained local mobile managers and managers at local organisations in Saudi Arabia. This study involved six organisations, which included FMNE subsidiaries (n=3) and local organisations (n=3) in Saudi Arabia.

The present study has revealed that IFDI led local human capital development in developing countries begins with FMNE subsidiaries' human resource development and training programmes for local managers, which lead to the development of K&S of local managers. These trained local managers move from FMNE subsidiaries to local organisations for various reasons such as career progression, monetary benefits and personal reasons.

The mobility of FMNE subsidiaries trained local managers from FMNE subsidiaries to local organisations results in spillovers of human skills and knowledge transfer to local organisations. These spillovers include transfer of advanced K&S, advancement of professional capabilities, introduction of new work culture, transfer of business processes and development of intrapreneurial skills.

Consequently, there are human capital related impacts on local organisations. For instance, increasing productivity, upgrading of management and intrapreneurial skills, and also improving of work behaviours, ethics and culture. In addition, promotion of creative thinking and transfer of business processes is another example. The additional impacts include improvement of capabilities and performance advanced management and intrapreneurial skills, development of global development processes, and improved performance and productivity in local organisations.

The present study has confirmed that IFDI has several positive contributions in local human capital development in developing countries. These contributions include development of K&S of local managers, development of local leadership, development of professional capabilities of local managers. Other contributions of IFDI include improvement of performance, training and internships of new graduates, partnerships with universities for training local graduates, T&D of staff in government and local organisations, targeted local human capital development in specific business areas, and human capital development and employment of locals in FMNE subsidiaries. The present study also identified some suggestions for enhancing IFDI contributions in local human capital development in developing countries. For example, collaboration and cooperation between the key stakeholders i.e. host country government, FMNE subsidiaries, local managers, local organisations and local institutions such as universities in developing countries.

There is however a need for further research in the domain of IFDI led local human capital development in developing countries. The future research may consider the recommendations for future research presented in this thesis.

9 References

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Appendix 1. Theoretical studies included in the literature review

Author(s)	Title	Theoretical background	Contribution
Fosfuria, Mottac and Røndee (2001)	Foreign direct investment and spillovers through workers' mobility	<p>1- Spillovers may take several forms. First, there may exist backward and forward linkages between FMNE subsidiaries and local organisations. Second, "demonstration effects". For example, domestic imitate technological innovations. Third, spillovers arise when subsidiaries train local employees who later join local organisations or set up their own companies (this paper focus on this kind of spillovers).</p> <p>2- Mobility is lower for managers employed by MNEs than for those employed by local organisations.</p> <p>3- Spillovers from foreign direct investment can take two forms: the first one is technological spillovers arising when the trained worker is hired by the local firm. And the second is pecuniary spillovers arise when the MNE pays the worker a higher wage to prevent her from moving to the local competitor.</p> <p>4- There is effect of IFDI on the wages of the local workforce.</p> <p>5- Should expect higher labour mobility and more spillovers (both technological and pecuniary) when the local firm can use the technology in activities that do not compete fiercely with the MNE.</p>	This model helps to identify the conditions under which a MNE retains the trained worker, and those under which she leaves to a local firm.
Slaughter (2002a)	Skill Upgrading in Developing Countries: Has Inward FDI Played a Role (working paper, Formerly technical paper, no 192)	<p>1- The general idea that interaction among firms can generate spillovers dates back to 1920s and the interest in analysing the possibility of multinationals interacting with host country firms goes to early 1970s.</p> <p>2-How do MNEs affect both the demand for and supply of skills in host country labour markets? On the demand side, IFDI can stimulate demand for skilled workers in host countries through several channels. Most empirical evidence indicates that these channels work mainly within multinationals themselves, rather than through knowledge spillovers to domestic firms.</p> <p>3-Spillovers of knowledge from subsidiaries to domestic firms are an often-claimed benefit of IFDI, so it is worth outlining possible spillover channels.</p>	<p>MNEs can and do generate substantial human capital spillovers in developing countries and that appropriate policies can maximise these. For example, training policies are essential to creating positive synergies with FMNE subsidiaries but must be seen as not IFDI-specific.</p> <p>Very little is known about the training activities that MNEs are engaged in, and to what extent local employees and managers of MNEs subsequently work in domestic firms, or start new firms themselves.</p>

Kapstein (2002)	Virtuous circles? Human capital formation, economic development and the multinational enterprise (working paper, Formerly technical paper, no (191)	Early investment in human capital pays additional dividends, as the FMNE subsidiaries that engage in direct investment then create their own training programmes. These programmes further increase the knowledge and skills of managers and workers, and in turn generate an externality effect in that training may spillover into the local economy as workers leave to join local organisations or become entrepreneurs themselves.	This paper argued that it is the political economy pathways that may lead countries away from sustained growth. In countries which lack well-developed capital and education markets, many otherwise qualified citizens may be denied the basic skills they need to contribute fully to the nation's economic development.
Blomström and Kokko (2002)	FDI and human capital: a research agenda working paper, Formerly technical paper)	<p>1-After a review of the literature, this paper concludes that there is potential for significant “spillover effects” from inward FDI into host countries. However, it identifies some limitations of this potential to do with the stock of human capital, the interest in local organisations of promoting skills transfer and the competition environment.</p> <p>2-Managers also move from MNEs to other firms and so can contribute to the diffusion of know-how. Of the managers in private local and public firms who had training from elsewhere, the majority had received it while working for MNEs; joint ventures, on the other hand, seemed to recruit mainly from public firms.</p> <p>3-Yet, mobility seemed to be lower for managers employed by MNEs than for managers in local organisations.</p>	MNEs can and do generate substantial human capital spillovers in developing countries and that appropriate policies can maximise these. For instance, training policies are essential to creating positive synergies with MNEs but must be seen as not FDI-specific — they are necessary for the competitiveness of all enterprises. Very little is known about the training activities that MNEs are actually engaged in, and to what extent local employees and managers of MNEs subsequently work in domestic firms, or start new firms themselves.
Slaughter (2002 b)	Does inward foreign direct investment contribute to skill upgrading in developing countries?	<p>1-This paper has discussed how multinational firms affect both the demand for and supply of skills in host-country labour markets.</p> <p>2- On the demand side, multinational affiliates raise demand for more-skilled workers as they utilize firm-specific knowledge assets and as they invest in physical capital.</p> <p>3- All this may also occur in domestic firms in host countries if these knowledge assets are somehow transferred, but evidence on this—particularly for externality spillovers is mixed.</p> <p>4-On the supply side, FMNE subsidiaries can raise the supply of more-skilled workers both at the micro-level of individual subsidiaries training workers in-house and via interactions with host-country education and training institutions.</p> <p>5- They can also do this at the macro-level through channels such as helping raise and stabilize output and affecting migration decisions.</p>	This paper offers some new empirical evidence on the links between inward FDI and within-industry skill upgrading for a country-industry-year panel spanning both developed and developing countries.

Blomström and Kokko (2003)	Human capital and inward FDI (working paper).	<p>1-Inward FDI creates a potential for spillovers of knowledge to the local labour force, at the same time as the host country's level of human capital determines how much FDI it can attract and whether local organisations are able to absorb the potential spillover benefits.</p> <p>2-Moreover, the mobility of employees from MNEs industries contributes to spillovers, both within the industry and elsewhere.</p> <p>3- Managers also move from MNEs to other firms and contribute to the diffusion of know-how.</p> <p>4- Furthermore, the managers in private local and public firms who had training programmes from elsewhere, the majority had received it while working for FMNE subsidiaries</p> <p>5- Yet, mobility of local managers seemed to be lower for managers employed by FMNE subsidiaries than for managers in local organisations. This is not surprising remembering the common finding that FMNE subsidiaries pay more for their managers and workers than what local organisations do, even taking skill levels into account.</p>	Inward FDI (IFDI) create a possible for spillovers of knowledge to the local labour force, at the same time as the host country's level of human capital determines how much FDI it can attract and whether local organisations are able to absorb the potential spillover benefits.
Meyer (2004)	Perspectives on multinational enterprises in emerging economies	<p>1-This paper presents suggestions on how to advance research on the impact of MNEs on emerging economies. The interaction with MNEs may benefit or damage local organisations and individuals, which creates what is known as positive and negative spillovers.</p> <p>2-The main theoretical foundations of these studies are knowledge spillovers based on demonstration effects and the movement of labour. Demonstration effects work through the direct contact between local agents and an MNE operating at different levels of technology. After observing a product innovation or a novel form of organisation adapted to local conditions, local entrepreneurs may recognise their feasibility, and thus strive to imitate them.</p> <p>3-A second channel of spillovers is the movement of employees. MNEs build local human capital via training of local managers and workers, then, these highly skilled managers and workers may move to local organisations or start their own entrepreneurial businesses.</p> <p>4-The benefits of demonstration effects and labour mobility are often assumed to have quasi-public good characteristics, as firms can observe the outcome of organisational innovations by successful companies.</p>	International business scholars may contribute research that takes the individual multinational and local organisations as starting point. They have key insights into the inner logic of multinational firms that should enhance both policy and management decisions crucial for the future of the global economy, and facilitate mutually beneficial outcomes.
Pesola (2007)	Foreign ownership, labour mobility and	1-Models of R&D spillovers via managers and worker mobility. These models incorporate the fact that managers and worker gain access to valuable knowledge,	The estimates indicate that highly educated employees earn a return to prior experience

	wages.	<p>which may benefit them later in their career.</p> <p>2-On-the-job training models should also be considered in this context, as e.g. Rosen's (1972) model, where firms differ in terms of their on-the-job training opportunities, provides hypotheses concerning the effect of human capital accumulation on earnings at different career stages.</p> <p>3- Labour mobility as a channel for spillovers has hardly been studied, but recently there has been increased interest in the subject. (gap)</p> <p>4- Manaegs and workers could be a source of spillovers if they acquire superior knowledge at FMNE subsidiaries and bring this knowledge with them to benefit their new employer when they change jobs.</p>	<p>in a</p> <p>FMNE subsidiaries, over and above the return to other previous experience. These workers do not appear to pay for the accumulation of knowledge in the form of lower wages. The results do not indicate that foreign owned firms pay a premium for knowledge that workers bring with them from domestic firms.</p>
Miyamoto (2008)	Human capital formation and foreign direct investment in developing countries. Working paper	<p>1-Training spillovers may occur through four routes: vertical linkages, horizontal linkages, labour turnovers, and labour spin-offs.</p> <p>2-Vertical linkages happen when MNEs train or provide technical support to domestic firms that supply them with intermediate goods (backward linkages), or to buyers of their own products (forward linkages).</p> <p>3- Horizontal linkages occur when local organisations in the same industry gain skills through industry or region-wide skills development institutions that are supported by MNEs.</p> <p>4-Labour turnover occurs when FMNE subsidiaries -trained workers or managers and then transfer their knowledge to other firms when switching employers. Also, labour turnovers occur when such demand and supply of skills clears in the labour market.</p> <p>5- Labour spin-offs happen when an MNE employee starts up a new firm based on the know-how gained from previous experience.</p> <p>6- When employees of MNEs seek alternative firms to work in after receiving MNE-based training, it is likely that they will try to sell their skills and experiences attained while working at the MNEs.</p> <p>7- Local firms interested in new skills and technologies would most likely seek ex-employees of an MNE in the same industry.</p> <p>8-Training spin-offs occur when such employees decide to use their acquired skills to start up a new company.</p>	<p>This paper synthesises the existing literature on human capital formation and foreign direct investment (FDI) in developing countries. The arguments made in this paper are based on limited evidence extracted from the literature on human capital and FDI, and a number of selected case studies of firms operating in developing countries.</p>

Spencer (2008)	The impact of multinational enterprise strategy on indigenous enterprises: horizontal spillovers and crowding out in developing countries	<p>1- this paper identifies the characteristics and strategies of MNEs investing in developing countries 2- Appendix 4. Interview Protocol (last version)</p> <p>local organisations operating in the same industry as the MNE. Over time, these spillovers should be reflected in productivity increases among local enterprises.</p> <p>3-Horizontal spillovers can occur when local organisations improve their performance by absorbing knowledge.</p> <p>4-MNEs can also contribute to the development of public goods in the host economy by transmitting knowledge vertically to strengthen suppliers, distributors, and other firms operating in supporting industries, thereby improving the infrastructure for all firms in the MNE's industry, both foreign and local.</p> <p>5-Crowding out occurs when the MNE poses competition in local product, labour, or financial markets that is intense enough to disadvantage local enterprises.</p> <p>6- Employment of local residents can have either positive spillover or negative crowding out effects in the local economy.</p> <p>7-Since FMNE subsidiaries pay higher wages than local organisations, their presence can crowd out local organisations when they hire the most qualified employees away from local enterprises. At the same time, details about an MNE's strategy and operations can diffuse to local organisations when its employees take new jobs in local enterprises, creating horizontal spillover effects.</p>	Authors argued in this paper that a single MNE is likely to produce a crowding out effect in the short run but positive horizontal spillovers in the long run.
Balsvik (2010)	Multinationals' mode of entry in the presence of upstream spillovers	<p>1-The main point of this paper is to show how the possibility of upstream spillovers affects the strategic interaction between the downstream and the upstream firm in very different ways, depending on the outsourcing contract.</p> <p>2- Since MNEs have incentives to limit spillovers of their final good technology, while they may benefit from more productive local suppliers, knowledge spillovers to suppliers may be more likely than horizontal spillovers.</p> <p>3-Upstream spillovers may occur when the intermediate is produced locally, and imply that the knowledge of how to produce the specialized intermediate input may spread to another local firm, which gives the MNE potential access to a new supplier.</p>	<p>The arguments made in this paper are based on limited evidence extracted from the literature on human capital and FDI, and a number of selected case studies of firms operating in developing countries.</p> <p>- Spillovers generate threat of entry of a new input producer. With incomplete outsourcing contracts that result in the two firms bargaining over how to share the potential surplus, upstream spillovers do not necessarily benefit the downstream multinational.</p>
Gerschewski (2013)	Do local organisations benefit from	1-The purpose of this paper is to provide a review of the literature on	Author found evidence for positive inter-industry (or horizontal spillovers) spillovers through linkages between MNE affiliates

	<p>foreign direct investment? An analysis of spillover effects in developing countries.</p>	<p>spillover effects and linkages that arise from FDI in developing countries.</p> <p>2-The review suggests that there tends to be negative intra-industry productivity spillover effects.</p> <p>3- Spillovers arise when MNEs cannot reap all the benefits from internalising their activities. It has been suggested that spillover effects from FDI are the most significant channels for the dissemination of modern of advanced technology.</p> <p>4-Spillovers are generally measured as the impact of the presence of MNEs on the productivity in local organisations.</p> <p>5- Some studies showed that labour turnover plays an important role for productivity spillovers. For that, Productivity spillovers take place when the entry or presence of MNE subsidiaries lead to productivity benefits for local organisations</p> <p>6-Intra-industry (or horizontal spillovers) pertain to spillovers that occur between MNE subsidiaries and local organisations in the same industry sector.</p> <p>7-Most studies recognise four different channels through which productivity spillovers can take place. These are (1) demonstration effects, (2) movement of labour (i.e., labour turnover), (3) competition effects, and (4) market access spillovers (export externalities).</p> <p>8-the movement of labour which shown that FMNE subsidiaries may provide more training for their employees and invest more in staff development than local organisations and, thus, may build local human capital.</p> <p>9-Spillovers occur when these MNE employees move to other local organisations. Thus, the employees transfer their gained knowledge from MNEs to local companies, thereby increasing the productivity of local organisations.</p> <p>10- It is relatively difficult to measure the effects of labour turnover empirically as it would involve interviewing managers who used to work for MNEs and then estimate the knowledge, which is transferred to the domestic firms.</p>	<p>and suppliers in different industry sectors which may be attributed to the benefits for MNEs in transferring knowledge and technology to their local suppliers. The study offers suggestions for future research.</p>
<p>De Grip and Sauermann (2013)</p>	<p>The effect of training on productivity: The transfer of on-the-job training from the perspective of</p>	<p>1-The human-capital theory offers the theoretical framework in which labour economists started to study the impact of education and training on workers' performance in the labour market.</p> <p>2-Human capital theory was launched by a supplement volume of the Journal of Political Economy on 'Investments in Human Beings' in 1962 (e.g. Becker, 1962).</p>	<p>Argued that this 'black box' offers opportunities for multi-disciplinary research projects on the transfer of training that relate the perspectives of educational and economic research.</p>

	economics	<p>3-The original human capital theory framework is a straightforward economic model of investments (and therefore expected costs) and on the other hand, it expected returns on the other hand.</p> <p>4- One of the main implications of human capital theory is that training investments are only undertaken if the expected rate of return is positive (Becker, 1962).</p>	
Perri and Peruffo (2016)	<p>Knowledge spillovers from FDI:</p> <p>A critical review from the international business perspective</p>	<p>1-FDI-related spillovers have been traditionally classified as (i) pecuniary/ non-pecuniary or (ii) inter-industry/intra-industry.</p> <p>2-Intra-industry (horizontal spillovers) effects also occur through inter-firm labour mobility.</p> <p>3- Hiring a manger and worker who has previously been employed by a MNE can create a channel through which competitive information about foreign techniques and technologies flows towards local organisations</p> <p>4- Antecedents of FDI knowledge spillovers: The eclectic theory suggests that MNEs are endowed with ownership advantages.</p> <p>5- FDI-KSs (knowledge spillovers) are more likely to happen in joint ventures rather than wholly owned subsidiaries.</p> <p>6- Subsidiaries aiming to tap local technology also need to reciprocate a certain amount of knowledge to domestic counterparts.</p> <p>7-A key finding in the literature on FDI spillovers is that they do not accrue to all domestic firms homogeneously.</p> <p>8-The inclusion of absorptive capacity in FDI-KS studies has highlighted that local organisations do not automatically benefit from MNE knowledge, as they need to incur '<i>costly efforts</i>'.</p>	<p>Five aspects that the authors considered crucial to improve the IB foundations of FDI-KSs, and that future research will explore further included: (1) the subsidiary is not a passive actor in the FDI-KS process, and its knowledge strategies within the host country may influence the extent of knowledge spreading to local organisations; (2) the FDI-KSE is a micro-founded process, which takes place through the interaction between firms, and between individuals across firms, and therefore is influenced by political and social norms; (3) beyond the diffusion of subsidiary knowledge, FDI-KSs encompass indirect effects that may be beneficial for the subsidiary itself as well as for the MNC; (4) both the internal and the external networks to which subsidiaries belong play a crucial role in the FDI-KSE; (5) the FDI-KSE should not be characterized by analysing only the magnitude of knowledge spreading in the host country, since other dimensions are crucial for evaluating its competitive outcome.</p>

Appendix 2. Empirical studies included in the literature review

Author(s)	Title	country	Sector	Data collection method	Participants (type and number)	Summary of the key variables tested	Empirical findings	Contribution
Görg and Strobl (2005)	Spillovers from foreign firms through worker mobility: An empirical investigation	Ghana	Sector: manufacturing firms in food processing, bakeries, textiles and garment, wood products furniture, metal and machinery sectors	Questionnaire survey by the World Bank covering period 1991-1997, data collected in five waves/ phases.	Used data collected by the World Bank	Foreign training / experience (FT/E) Dummy variables: FTI (owner received training by a multinational) FEij (owner received training by a multinational within the same industry before starting working in a domestic firm) FEih (experience received in a multinational in a different industry before starting working in a domestic firm) Eij (owner had	1-Some of the multinationals' knowledge is industry specific and cannot be transferred to firms in other industries 2- identified three distinct types of previous contact with foreign firms: whether the owner/chairman has Received any explicit training by foreign firms in the past; whether the owners' immediate previous experience was in a foreign firm within the same industry as that of their current firm; and, whether the owner worked for a foreign firm in some other industry. 3- workers who moved from multinationals to domestic firms run enterprises that are "better" than others. 4- Owners who gained	Provided evidence in support of the idea that there are spillovers through worker movements, where domestic entrepreneurs bring with them knowledge accumulated in the multinationals and put it to use in the domestic firm. Critique: this study used data that was collected by the world Bank and created a number of dummy variables. No mention of the sample size / number of participating organisations and persons Could not be considered as a primary empirical study. Used data collected by the World Bank (so not a primary study).

					<p>any previous experience in the same industry)</p> <p>Eij *</p> <p>Si (entrepreneurs' ability – years of schooling)</p> <p>Constant</p> <p>Observations</p> <p>R-squared</p> <p>-Three foreign experience/training variables (FT, FEij, FEih)</p> <p>-general industry experience (Eij).</p> <p>- within-industry experience (FEij)</p> <p>- Experience gained in foreign firms in other industries (FEih).</p>	<p>experience in multinationals in the same industry run more productive firms.</p> <p>5- Training in foreign multinationals has a statistically significant positive effect on firm performance.</p> <p>6- Firms which are run by owners who worked for multinationals in the same industry immediately prior to opening up their own firm have higher productivity levels than other firms.</p>	
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Martins (2005)	Inter-firm employee mobility, displacement, and foreign direct investment spillovers	Portugal		Data taken from annual census of all firms in Portugal and all employees in each firm, employees in each year between 1986 and 2000 (excluding 1990 when the census was temporarily stopped)		firm level variables: industry, region, size, age, foreign ownership, sales, and equity, Worker level variables: education, age, gender, tenure, occupation, wages, hours, job level and promotions.	<p>1- (Mobility flows) Mobility of managers: small numbers of them move from foreign to domestic firms (4.7%).</p> <p>2- (Wage differences) The workers more likely to move from foreign to domestic firms are those that are less well paid in their foreign firms.</p> <p>3- most movers come from low-paying foreign firms.</p> <p>4- movers are better paid on average as the experience in FMNE subsidiaries is highly valued in domestic firms. Displacement of workers significantly led to mobility from foreign-to-domestic firms. Moreover, their prior experience in FMNE subsidiaries is rewarded at a significant and relatively high rate by the domestic firms.</p> <p>5-wage cuts when managers move from FMNE subsidiaries to domestic firms indicate that the pay policies of foreign firms are more generous than those of domestic firms.</p> <p>6-managers that move between firms are random after conditioning for their</p>	<p>Authors believed the present evidence provides, at best, only some moderate support for the role of labour mobility in delivering FDI spillovers to a host economy.</p> <p>User secondary data from annual census of firms in Portugal. A very large number of firms (n=115,000)</p>
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							characteristics. 7- Our results suggest very strongly that such movers are a selected subset of a firm's workforce.	
Jacob and Szirmai (2007)	International Knowledge Spillovers to Developing Countries: The Case of Indonesia	Indonesia	Import (of intermediate inputs and capital goods) and export	systematic review between 1980 to 1996, on two phases -1980-1987 (Determinants of Labor Productivity, Pre-Liberalization Phase, -1980-87 Determinants of Labor Productivity, Post-Liberalization Phase, 1988-96(Engle-Yoo Estimation) DOLS		1- Determinants of Labor Productivity, Pre-Liberalization. 2- Determinants of Labor Productivity, Post-Liberalization Phase. 3- High-technical Med-tech Low-technical.	1- imports from the advanced economies are positively associated with technological learning in Indonesian manufacturing and that international technology spillovers have been taking place. 2- In the import substitution phase, the bulk of the improvements in labor productivity derive from capital deepening and economies of scale. In the post liberalization phase, only the scale factor is still operative, but it is less prominent than in the pre-liberalization phase. 3- The contribution of technological learning from imports depends on the technological level of industries. In the post-liberalization period, the greatest effects are found for the high-tech sector, with weaker effects	Results indicate that knowledge spillovers have become significant contributors to labor productivity growth after the liberalization of the Indonesian economy.

				Estimation			<p>in the medium-tech sector and the least effects in the low-tech sector.</p> <p>4- The contribution of spillovers from exports is less important than the contribution from imports. Significant positive contributions from this variable are limited to the high-tech sector during the pre-liberalization phase, and the low-tech sector during the post liberalization phase.</p>	
Leshner and Miroudot (2008)	<p>FDI spillovers and their interrelationships with trade</p> <p>(may be theoretical paper)</p>	<p>OECD Countries:</p> <p>Belgium</p> <p>Germany</p> <p>Spain</p> <p>Finland</p> <p>France</p> <p>Italy</p> <p>Netherlands</p> <p>Norway</p> <p>Poland</p> <p>Sweden</p>	<p>Manufacturing sectors (chemicals and pharmaceuticals and machinery and equipment) and services sectors (other business services and computer and related services)</p>	<p>Quantitative, firm level secondary data</p>	<p>Companies in Manufacturing sector and services sector</p>	<p>-Output (Inoprev)</p> <p>-Labour (Inlabour)</p> <p>-Capital (Incap)</p> <p>-Materials (Inmat)</p> <p>-Foreign share (forshare)</p> <p>-Horizontal linkage (spill)</p> <p>-Backward linkage (spill)</p> <p>-Forward linkage (spill)</p> <p>-Backward linkage primary (spill)</p> <p>-Backward</p>	<p>1- FDI spillovers is existing, but only when domestic firms have enough technological capacity to imitate effectively.</p> <p>-2 Country-level characteristics influence the diffusion of FDI spillovers.</p> <p>-3 -While the approach used in these studies tests the effect of intra industry productivity spillovers in a single country framework for goods, it says nothing about inter industry spillovers, spillovers in services, and cross-country patterns.</p> <p>4-spillovers are higher in</p>	<p>Trade liberalisation can be seen as an important component of any reform package designed to help countries maximise the benefits of FDI.</p>

						<p>linkage manufacturing (spill)</p> <p>-Backward linkage services (spill)</p> <p>-Forward linkage primary (spill)</p> <p>-Forward linkage manufacturing (spill)</p> <p>-Forward linkage services (spill)</p> <p>-Tariff (policy)</p> <p>-Index of Economic Freedom (IEF) (policy)</p> <p>-FDI Restrictiveness Index (policy)</p>	<p>an open trade regime.</p> <p>5- IFDI often transfers knowledge – in the form of production expertise and managerial skills, among others – as well as finance.</p> <p>6-These knowledge effects can be called externalities or spillovers. FDI, therefore, can mean more to a host country than building a new plant or subsidiary.</p>	
Bekes, Kleinert and Toubal (2009)	Spillovers from multinationals to heterogeneous domestic firms:	Hungary	Productivity and export	Data for 11,767 firms taken from the tax authorities in Hungary	11,767 firms	1-the cumulative distribution of total factor productivity (TFP) for various groups.	1- Horizontal spillovers occur when entry or presence of MNEs lead to an increase in productivity of local organisations active in the same industry, and Vertical spillovers can arise from MNEs' presence in	Argued that several theories have been put forward to motivate different effects for heterogeneous firms. Found that the most productive firms gain the most, while the least productive are negatively affected by proximity to

	Evidence from Hungary					<p>2-the cumulative distribution of TFP and sales of domestically owned Hungarian firms according to their export status.</p> <p>3-Differences between foreign multinational firms and Hungarian Exporters. TFP, 2000.</p> <p>4-Hungarian counties' characteristics (2000).</p> <p>5- Firm-Level Fixed Effects Panel Regression - Dependent Variable.</p>	<p>backward or forward industries. Horizontal spillovers affect exporters and non-exporters positively and have a negative impact on the least productive firm.</p> <p>2- The positive impact of backward linkages is increasing with the productivity of the domestic firm.</p> <p>8- Overall, we find that heterogeneity in terms of productivity affects domestically owned firms' capacity to absorb knowledge and achieve higher productivity.</p>	foreign firms.
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<p>Balsvik (2011)</p>	<p>Is labour mobility a channel for spillovers from multinationals? Evidence from Norwegian manufacturing</p>	<p>Norway</p>	<p>Norwegian manufacturing sector</p>	<p>Used annual census data for 1990 to 2000 collected by the Statistics Norway. Norwegian Manufacturing Statistics</p>	<p>Manufacturing companies</p>	<p>Domestic MNE, Foreign MNE, Year and industry dummies, Plant characteristics Worker characteristics, Number of observations, R2</p> <p>Dependent variable is log individual wage. Plant characteristics are log (number of employees) and its square, share of female workers, share of workers with 12 or more years of education, and log (capital per unit of output). Worker characteristics are education, a quadratic in tenure, a quartic in experience, a gender</p>	<p>1- Workers with MNE experience contribute 20% more to total factor productivity than workers without such experience.</p> <p>2-Through on-the-job-experience (or training), workers in MNEs may get access to part of the MNEs' superior technology, and bring valuable knowledge with them.</p> <p>3-If MNEs make use of better technology, intermediate inputs, or management; this is a plant-specific advantage that may give rise to a wage premium through rent sharing with workers.</p> <p>4- Wages of incumbent workers in domestic firms are positively affected by the share of workers with experience from MNEs.</p> <p>5- Newly hired workers with experience from MNEs contribute on average 27% more to the productivity of the plant than the incumbent workers. The coefficient on newly hired workers without MNE experience is positive but not</p>	<p>The argument that a multinational wage premium could signal a potential for spillovers relies on the presence of such a plant-specific component in the wage premium.</p>
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						dummy, and interaction terms between gender and individual characteristics.	significant.	
Ghuri and Firth (2011)	The impact of foreign direct investment on local organisations: Western firms in emerging Markets	UK	Service sector.	Data collection was undertaken over a three-year period whereby qualitative in-depth interviews	senior managers in UK headquarter, subsidiaries and 'linked' local organisations.	The Impact of FDI on Domestic Firms. A- Productivity Increases. B- Employment Creation.	1-One of the main impacts of FDI on local suppliers can be the productivity increases they experience because of certain benefits of the relationship. 2-Another indicator of the success of a company is whether or not it can afford to take on new employees. It is argued, this in turn also benefits then standard of living and thus local economy.	The key contribution of this chapter is to extend the literature on linkages to consider services while developing a conceptual framework in this area. Overall, this study confirms the importance of the subsidiary in linkage formation and also shows how the externalities occurring from linkage formation in the service sector may benefit local organisations and subsequently aid local economic development as a whole.
Asli, Behname and Noormohamadi (2012)	Foreign direct investment effect on urban wages in MENA countries	MENA (Saudi Arabia, Egypt, Kuwait, Turkey, Oman and Iran)	foreign direct investment and wage data	panel data model (The data set used covers 6 countries over the period 1980-2008 (Iran, Egypt, Kuwait, Turkey,	Secondary data from various sources: UN data, the World Bank Group, UNSTAT, MNEs, LABORSTA, UNCTAD and Growth Data Resources	Dependent variable: Wages (urban wage) Independent variables: -Constant -FDI	1- FDI capital ratio positive and significant effect on urban wages. FDI bring productivity and high productivity increases urban wage. 2- A positive effect on urban wage, because the high capital relative to labour force carries out the high productivity for labour force.	The openness to FDI tends to increase wage level of MENA countries and both physical capital and human capital accumulation tend to raise the average wage level.

				Oman, Saudi Arabia).		-FDI/ K - FDI/GDP -K/L - HUM	3-Openness to FDI tends to increase wage level of MENA countries.	
Gachino (2012)	technological Change from Foreign Firms: Firm-Level Case Studies in the Kenyan Context	Kenya	Manufacturing industrial development	Interviews	Case studies of five foreign firms	focusing on FDI, spillovers, learning, capability building and innovation through: 1-Human Resources Development and Labour Mobility. A-Human Resources Development (Firm Training). B-Labour Mobility. 2-Linkage Effects 3-Competition Effects 4- Demonstration Effects	The results need to change the thinking with regard to policy pertaining to the role FDI plays in a host country's industrial development. This paper presents the only known work based in Africa focusing on FDI, spillovers, learning, capability building and innovation. The case studies, though ambitious, present findings which need to change the thinking about the past results and methodologies of the past studies on FDI and spillovers.	The study concluded that FDI stimulates spillover occurrence. However, this finding cannot be generalised due to the heterogeneity of industries. The implication of these findings is that through spillover occurrence, FDI plays an important role in enhancing technological learning and capability building.
Hakkala and Sembenelli (2012)	Multinationals, competition	Finland	manufacturing plants	Longitudinal study using	Secondary data from four different	1-value added, 2-capital stock	1- worker mobility from MNEs to local organisations is more	Productivity spillovers arise only when workers move from domestic-owned multi-national

	and productivity spillovers through worker mobility			employer-employee data. (From Statistics Finland for the years 1990 to 2004.)	databases from Statistics Finland (data about Finnish firms and their employees 15-70 years).	3- number of employees, 4- wages, 5-sales and industry.	likely to occur when: (a) competition is low and (b) local organisations are not too far from the technological frontier. 2- The direction of spillovers through worker mobility is from MNEs to non- MNEs, and consequently that spillover are not relevant in the opposite direction. 3- FMNE subsidiaries invest in R&D more than purely domestic local organisations but less than domestic multinational firms. This is 4. FMNE subsidiaries are found to be more profitable as documented by the higher share of gross operating profits over turnover.	firms to domestic local firms. The spillover effects are economically important. Further, the results point out that competition affects the productivity spillovers of purely domestic plants adversely by reducing worker mobility.
Fu (2012)	Foreign direct investment and managerial knowledge spillovers through the diffusion of management	UK	the manufacturing and services sectors	establishment-level panel data from the UK attests	The data used for this study are collected from the 1998 and 2004 Workplace Employment Relations Survey (WERS), a national survey of workplaces	- OCMP (operations and communications Practices. -TMP (targeting and monitoring	1-The direction and strength of managerial spillovers are determined by a vector of factors such as the gap in the level of management advancement in individual practices, practice clusters, and management systems between foreign and local organisations, complementarities between new and existing	FDI can serve as a vehicle which facilitates the transfer of advanced managerial knowledge from foreign to local organisations, either intentionally or unintentionally.

	t practices				in Britain with five or More employees	Practices) -ISMP (incentives and skills management)	practices employed in local organisations, and managers' judgement on the consequences of a practice. 2-The relationship between diffused foreign knowledge and actual assimilation is more complex than recognized in the current understanding. 3-The practical implication for managers is that some of the explicit HPMPs can be learnt through unintended spillovers, whereas others can only be acquired through intended and inter-personal knowledge transfer such as management education, managerial apprenticeship, or learning-by-doing. 4- The combination of intended and unintended knowledge transfer and the multiple sources of knowledge from different suppliers and customers.	
Nkechi and Okezie 2013)	Investigating the interaction between FDI and human capital or growth: evidence	Nigeria	FMNE subsidisers specific sector mentioned	Evidence from Nigeria within a cointegration and error-correction modelling (ECM)	Secondary data on FDI by FMNE subsidiaries	- <i>LNGDPPCAP</i> - <i>LN(FDI)</i> - <i>LNHUMCAP</i> - <i>LNDI</i> - <i>LNINFL</i> - <i>LNINFR</i> - <i>LNLA</i> -	Human capital variable proxy by adult literacy has a negative estimated coefficient and it is statistically significant. This means that there is significant relationship between human capital and growth, but the magnitude	Apparently, developing countries need to have reached a certain level of development in human capital (Education, health, welfare, technology and infrastructure) before being able to benefit from a foreign presence in their markets.

	from Nigeria			framework during the period (1975-2008). panel data, OLS multiple regression techniques will be adopted in the analysis using secondary data.		<p><i>LNGDPPCAP</i></p> <ul style="list-style-type: none"> - <i>LN(FDI)</i> - <i>LNHUMCAP</i> - <i>LNDI</i> - <i>LNINFL</i> - <i>LNINFR</i> - <i>LNLA</i> 	of significance is very low.	
Bhaumik and Dimova (2013)	Does human capital endowment of foreign direct investment recipient countries really matter? Evidence from cross-country firm level data	Developing countries	the textiles and garments industry	cross-country data from the textiles and garments industry	workers	<ul style="list-style-type: none"> - Educational attainment of the labor force. - Non-technological aspects of foreign ownership. - Training. - Local labor market institutions: 	<p>1- Training reduces inefficiency significantly but formal education level of workers does not have a significant impact of this inefficiency. The impact of training is even greater for FMNE subsidiaries.</p> <p>2- Training has far greater impact on firm-level (in)efficiency than formal education level of workers.</p> <p>3- FMNE subsidiaries in developing countries can reduce inefficiency significantly by providing training to their workforce and higher education is important for inefficiency of FMNE subsidiaries.</p>	Demonstrated that training indeed has a greater impact on firm efficiency in developing countries than formal education of the workforce.
Poole 2013)	Knowledge transfers from	Brazil	Brazilian formal sector	Secondary data from Ministry of	Secondary data about formal sector	The main variables of interest are	1- When workers leave FMNE subsidiaries and are rehired in local the	Higher-skilled former multinational workers are better able to transfer

	<p>multinational to domestic firms:</p> <p>Evidence from worker mobility</p>		<p>workers and their employers.</p>	<p>Labour (from registry of Brazilian formal sector workers and their employers' data)</p>	<p>workers and their employers' data</p>	<p>1- Worker's identification code,</p> <p>2- Annual real wages in reais,</p> <p>3- Job tenure in months,</p> <p>4- Type of job separation, age,</p> <p>5- Educational attainment, occupational classification,</p> <p>6- Tax number of the worker's establishment,</p> <p>7- Industrial classification of the worker's establishment.</p>	<p>organisation, continuing domestic organisations workforce benefits through increased wages.</p> <p>2- The strongest evidence for knowledge transfers from FMNE subsidiaries to domestic organisations through worker mobility was found in high-skill-intensive industries, suggesting that a sector's absorptive capacity may play a role in the transfer of a multinational's technological capital.</p> <p>3- Workers are considered high skilled if they have a high-school education or more and they will be better able to transfer a technology to domestic workers and high-skilled incumbent domestic workers are better able to absorb foreign technology.</p>	<p>information, and higher-skilled incumbent domestic workers are better able to absorb information.</p>
<p>Mariotti, mutinelli, nicolini and piscitello (2015)</p>	<p>Productivity spillovers from foreign multinational enterprises to domestic manufacturing firms: To what</p>	<p>Italy</p>	<p>service sector, Manufacturing and KIBS</p>	<p>Using a database of foreign subsidiaries located in Italy from 1999 to 2005</p>	<p>foreign multinational enterprises (FMNE subsidiaries)</p>	<p>1-Spillover and vertical linkage</p> <p>2- Co-location and spatial lags</p> <p>a-Foreign subsidiaries in the same local labour</p>	<p>1-Productivity spillovers to local manufacturing customers and suppliers associated with foreign subsidiaries in service sector are greater than those associated foreign subsidiaries in the manufacturing sector.</p> <p>2- The importance for local manufacturing firms</p>	<p>This study is among the first empirical works to compare the effects of foreign manufacturing and services MNEs on the productivity levels of local manufacturing firms that are both customers and suppliers of foreign MNEs. This paper is also one of the few empirical attempts to distinguish the role of co-</p>

	extent does spatial proximity matter					area(LLA) as the Local company, MNE	of productivity spillovers from MNEs in manufacturing, utility services and KIBS (knowledge intensive-service business in services.	location and spatial proximity in productivity spillovers associated with MNEs, based on the characteristics of the MNEs' sectors. Thus, the authors believe that the results contribute to the existing literature on spillovers from different perspectives.
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Appendix 3. Spillover Types, Research Methods, Data Types and Data Analysis Techniques

Spillover type	Mechanism	Location	Industry	Country of study	Study design	Data analysis technique / method	Reference
Knowledge spillovers / human capital spillovers	Transnational R&D centres positively affect knowledge spillovers / human capital spillovers	public and private local organisations	No specific sector / industry reported	China	Survey data - questionnaire involving 109 transnational R&D centres	Structural equation modelling	Cui, Chen, and Chang, 2017
	Demonstration effect, worker mobility and absorptive capacity mobility	Local organisations	Banks (services sector)	South Korea	Survey data from managers (n=581) of five major local banks	Structural equation modelling	Kim and Park, 2017
	FDI and inventor mobility	Local organisations	General industry	Japan, China, Korea, and Taiwan	Panel data	Regression	Kang, 2016
	Imitation, competition, and worker mobility and exports	Domestic supplying companies	Automotive Industry	Brazil	Survey - in-depth interviews	Content analysis	Bruhn, Figueira, Moreira, Calegario, and Reis, 2015
	IFDI positively related to spillovers	Local organisations	Services sector small and medium-sized enterprises	Malaysia	Survey data: postal Questionnaires survey and face-to-face interviews with the top-level managers	Pearson's r Correlations	Edrak, Gharleghi, Fah, and Tan, 2014
	Labour mobility	Local organisations	No specific industry reported	China	National level industry survey	Regression analysis	Liu, Lu and Zhang, 2014
	Mobility / turnover of higher-skilled labour	Local organisations	Services sectors	Brazil	Linked employer-employee database	Regression analysis	Poole, 2013

	Exposure to external knowledge and technologies, firms' absorptive capacity, and financial and market barriers to innovation	National level	Manufacturing and services sectors, small and medium-sized enterprises	Egypt	Survey	NA	Becheikh, 2013
	Trained worker mobility	Local organisations national level	Industrial data (no specific industry reported)	China	Panel data	Regression analysis	Zhao, and Zhang, 2010
	Social net-works and labour market mobility,	Organisations in clusters and/or regions	Software industry	Uruguay	Case study	Factor analysis and regression analysis	Kesidou and Szirmai, 2008
	Labour mobility	Local organisations	Manufacturing industry	Ghana	Employer-employee level data	Regression analysis	Görg and Strobl, 2005
		Regional / locality	small and medium-sized enterprises - machine shops industry supplier to FMNE subsidiaries	Mexico	Industrial census data	Regression analysis	Vera-Cruz and Dutrénit, 2005
Productivity spillovers	Local absorptive capacity, technology levels, geographical proximity, and foreign ownership structure.	Local organisations	Manufacturing Sector	8 Sub-Saharan countries: democratic republic of Congo, Ghana, Kenya, Malawi, Senegal, Tanzania, Uganda, Zambia	Panel data	Descriptive statistics and Regression analysis	Demena and Murshed, 2018
	Adversely affected by various horizontal spillover channels; vertical linkages insignificant	Domestic firms	Manufacturing firms	India	Panel dataset	Regression analysis	Mondal and Pant, 2018
	Effect of FDI on wages and productivity	Domestic firms	Manufacturing Sector	India	Panel data - Prowess data	Descriptive statistics and Regression analysis	Sharma, 2018
	Presence of firms	Domestic firms	Manufacturing firms	Kenya	Panel data (plant / firm level)	Regression analysis	Gachino, 2017

	Highly skilled workforce	Domestic firms	Manufacturing sector	Egypt and Poland	Panel data	Regression model	Farag, 2016
	Limited evidence of negative spillovers to domestic firms via competition effects in Kenya. In Malaysia - positive spillovers via demonstration effects, negative spillovers via competition effects and backward linkages.	Domestic firms	Manufacturing industries	Kenya and Malaysia	Panel data	Descriptive statistics and regression analysis	Kinuthia, 2016
	Horizontal spillover positively affects vertical spillovers i.e. Backward spillovers positively impact and the forward spillovers positively impact on productivity. Backward spillover have negative effects and forward spillover also negatively affect the efficiency of firms	Domestic firms	Manufacturing industry	Indonesia	Panel data	Regression model	Sari, Khalifah, and Suyanto, 2016.
	Negative productivity spillovers the labor mobility channel	Domestic firms, intra-industry	Manufacturing industries	Ethiopia	Firm-level panel data	descriptive statistics and econometric analysis	Tesfaye, 2015
	IFDI positively related to spillovers	Domestic firms	Services sector SMEs	Malaysia	Survey data: postal Questionnaires survey and face-to-face interviews with the top-level managers	Pearson's r Correlations and content analysis	Edrak, Gharlegghi, Fah, and Tan, 2014
	Presence of foreign plants	Domestic firms, same industries	Manufacturing plants	Thailand	Industrial census data	Regression analysis	Phucharoen, 2014
	Trained worker mobility	Domestic firms national level	Industrial data (no specific industry reported)	China	Panel data	Regression analysis	Zhao, and Zhang, 2010

Technological spillovers	Technological capabilities via Demonstration and Training effects	Domestic firms	Different industries in the service sector	Iran	Survey data	Regression	Salim, Razavi, and Afshari-Mofrad, (2017)
	Technological diffusion, facilitation of trade, and knowledge management	Domestic firms	Energy / power sector	Kenya	Survey data –from 60 directors and managers	Descriptive statistics and regression analysis	Osano and Koine, 2016
	Technology gap	Domestic industrial sectors	Industry in general	China	Panel data provincial	Regression analysis	Wang, Liu, Cao and Wang, 2016
	Vertical technology spillovers – BOTH horizontal AND vertical technology spillovers in firms in high-technology industries	Domestic firms	Manufacturing sector	India	Firm -level panel data	Regression	Malik, 2015
	Positive spillovers in firms with higher absorptive capacity and negative spillover in firms with a low absorptive capacity	Domestic firms	Manufacturing firms	Ethiopia	Survey data	N A	Seyoum, Wu, and Yang, 2015
	Competition and demonstration main mechanisms compared to linkage and labour mobility.	Domestic firms	Manufacturing firms	Kenya	Firm-level survey data	T-tests analysis	Gachino, 2014.
	Technology diffuses through the production process, technical consultation and production facilities	Domestic supply firms	Electrical and Electronics industry	Malaysia	In-depth case study – semi-structured in-depth interviews	Content / Thematic analysis	Jaguli, Malek, and Palil, 2014
	Backward linkages and forward linkages	Domestic firms	Manufacturing firms	Vietnam	Interviews data (n=37)	Content analysis	Kubny, and Voss, 2014
	Negative horizontal effects in low technology sectors while positive in other industries with different technological levels	Domestic firms -same industry	Different industries	China	Panel data	NA	Jeon, Park, and Ghauri, 2013

	Systemic support structure, absorptive capacity, firm learning, systematic embeddedness, firm training and trade orientation	Domestic firms	Food processing and machine engineering industries	Kenya	Survey data – questionnaire (foreign and local firms)	Descriptive statistics and regression analysis	Gachino, 2011
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Appendix 4. Research Study Ethics Approval



LETTER OF APPROVAL

Applicant: Mr Abdulmohsen Alalshiekh

Project Title: The impact of inward FDI on human capital

development in developing countries

Reference: 3813-LR-Jan/2017- 5501-2

Dear Mr Abdulmohsen Alalshiekh

The Research Ethics Committee has considered the above application recently submitted by you.

The Chair, acting under delegated authority has agreed that there is no objection on ethical grounds to the proposed study. Approval is given on the understanding that the conditions of approval set out below are followed:

On your Participant Information Sheet, you substitute " the Chair of the Principal Investigator's College Research Ethics Committee for 'the Chair of the College of Business, Arts and Social Sciences Research Ethics Committee'.

The agreed protocol must be followed. Any changes to the protocol will require prior approval from the Committee by way of an application for an amendment.

Please note that:

Research Participant Information Sheets and (where relevant) flyers, posters, and consent forms should include a clear statement that research ethics approval has been obtained from the relevant Research Ethics Committee.

The Research Participant Information Sheets should include a clear statement that queries should be directed, in the first instance, to the Supervisor (where relevant), or the researcher. Complaints, on the other hand, should be directed, in the first instance, to the Chair of the relevant Research Ethics Committee.

Approval to proceed with the study is granted subject to receipt by the Committee of satisfactory responses to any conditions that may appear above, in addition to any subsequent changes to the protocol.

The Research Ethics Committee reserves the right to sample and review documentation, including raw data, relevant to the study.

You may not undertake any research activity if you are not a registered student of Brunel University or if you cease to become registered, including abeyance or temporary withdrawal. As a deregistered student you would not be insured to undertake research activity. Research activity includes the recruitment of participants, undertaking consent procedures and collection of data. Breach of this requirement constitutes research misconduct and is a disciplinary offence.

A handwritten signature in black ink, appearing to read 'James Knowles', written over a horizontal line.

Professor James Knowles

Chair

College of Business, Arts and Social Sciences
Research Ethics Committee Brunel University
London

Appendix 5. Sectors and areas closed to IFDI in Saudi Arabia (Negative List)

Sector	Area	Areas closed	Exclusions
Industrial Manufacturing	Oil and Gas	Exploration, prospecting and production of petroleum substances	Services related to the mining area
	Military	Manufacturing of Military equipment, instruments and uniforms	
	Explosives	Manufacturing of explosives for use by civilians	
Services sector	Catering	Providing catering to military sectors	
	Security	Investigations and security	
	Real estate in Makkah and Madinah	Real estate in Makkah Al-Mukarramah and Al-Madinah Al-Munawara	
	Tourist guidance services	Tourist guidance services related to Hajj and Umrah	
	Servicing and staff provision	Servicing and staff provision services, including private foreign recruitment and private local employment firms	
	brokerage services	Real-estate brokerage	
	Publications and Publishing	Services subject to the Publications and Publishing Regulation	(a) Pre-publishing preparation services (b) International printing presses (c) Drawing and calligraphy (d) Photography (e) Television and radio studios (f) Foreign media offices and the correspondents thereof (g) Publicity and advertising (h) Public relation (i) Publication (j) Journalism services (k) Production or sale or lease of computer software (l) Media studies and consultations (m) Duplication and reproduction (n) Distribution of movies and videotapes
	Commercial / Commission agents	Commercial agents [working] on commission [basis]	exception of in-city conveyance of passengers by trains
	Audio-visual	Audio-visual services	
Land conveyancing	Land conveyance services		

	Midwifery, nursing and allied health services	Services provided by midwives and female nurses, physiotherapy and paramedic services	
	Fishing	Fishing of live water resources	
	Blood banks and quarantine centres	blood banks and health quarantines and poison centres	

Source: Researcher (based on information taken from SAGIA, 2016a).

Appendix 6. Interview Protocol

❖ Theme A-Interviews with managers working at FMNE subsidiaries in the KSA:

- Q1. What is the name of your organisation?
- Q2. What is the main sector in which your organisation is involved in?
- Q3. What is your current position in this organisation?
- Q4. How long have you been working in this organisation?
- Q5. What is your organisational strategy for developing knowledge and skills of local managers?
- Q6. Could you please give an example of T&D programmes for local managers?
- Q7. Where do these T&D programmes usually take place?
- Q8. What are the effects of these T&D programmes on knowledge and skills of local managers?
- Q9. What are the effects of these T&D programmes on your organisation?
- Q10. How many local managers are currently working in your organisation?
- Q11. Has any local manager moved from your organisation to a local organisation?
- Q12. Why did they move from your organisation to local organisations?
- Q13. What is the impact on your organisation when local managers leave?
- Q14. Do you think FMNE subsidiaries contribute in HCD in the KSA?
- Q15. Could you please explain how?
- Q16. Can you please give some examples of this contribution?
- Q17. Do you have any additional information that you would like to add to this interview?

❖ **Theme B-Interviews with local managers who moved from FMNE subsidiaries to local organisations in the KSA:**

Q1. What is the name of your organisation?

Q2. What is the main sector in which your organisation is operating?

Q3. Which economic sector and FMNE subsidiary did you move from?

Q4. What is your current position in your present (local) organisation?

Q5. What was your position in the FMNE subsidiaries prior to moving to the present local organisations?

Q6. How long have you been working in the present local organisation?

Q7. How would you differentiate between a FMNE subsidiary and a local organisation in terms of knowledge and skills development?

Q8. How would you differentiate between a FMNE subsidiary and a local organisation in terms of financial benefits?

Q9. Why did you move from the FMNE subsidiary to the local organisation?

Q10. What kind of T&D programmes did you attend at the FMNE subsidiary?

Q11. How those T&D programmes did affect your knowledge and skills development?

Q12. How did your move from the FMNE subsidiary to the local organisation influence your wages?

Q13. How did your move from the FMNE subsidiary to the local organisation affect your career?

Q14. Could you please explain how did your work experience at the FMNE subsidiary affect your work at the local organisation?

Q15. What advanced knowledge and transferable skills did you transfer from the FMNE subsidiary to the local organisation?

Q16. Do you think FMNE subsidiaries' T&D programmes contribute in HCD in the KSA?

Q17. How does local managers' mobility contribute in HCD in the KSA?

Q18. Could you please give some examples of this contribution?

Q19. Do you have any additional information that you would like to add to this interview?

❖ **Theme C-Interviews with managers who are at a higher position than local managers who moved from FMNE subsidiaries to local organisations in the KSA:**

Q1. How long have you been working in this local organisation and what is your role?

Q2. What is your opinion about the knowledge and skills of local managers who have moved from FMNE subsidiaries to your organisation?

Q3. How does local managers' mobility from FMNE subsidiaries to your organisation has affected productivity of your management team?

Q4. Could you please explain the knowledge and skills transferred by local managers to your organisation?

Q5. What are the impacts of this knowledge and skills transfer on your organisation?

Q6. Could you explain how FMNE subsidiaries contribute in HCD in the KSA?

Q7. Could you please give some examples about this contribution?

Q8. Do you have any additional information which you would like to add to this interview?

Appendix 7- Codes, Subthemes and Themes Identified in Thematic Analysis of Data

Figure I. Summary of the reasons, types, location and duration of FMNE subsidiaries' human resource development and training programmes for local managers

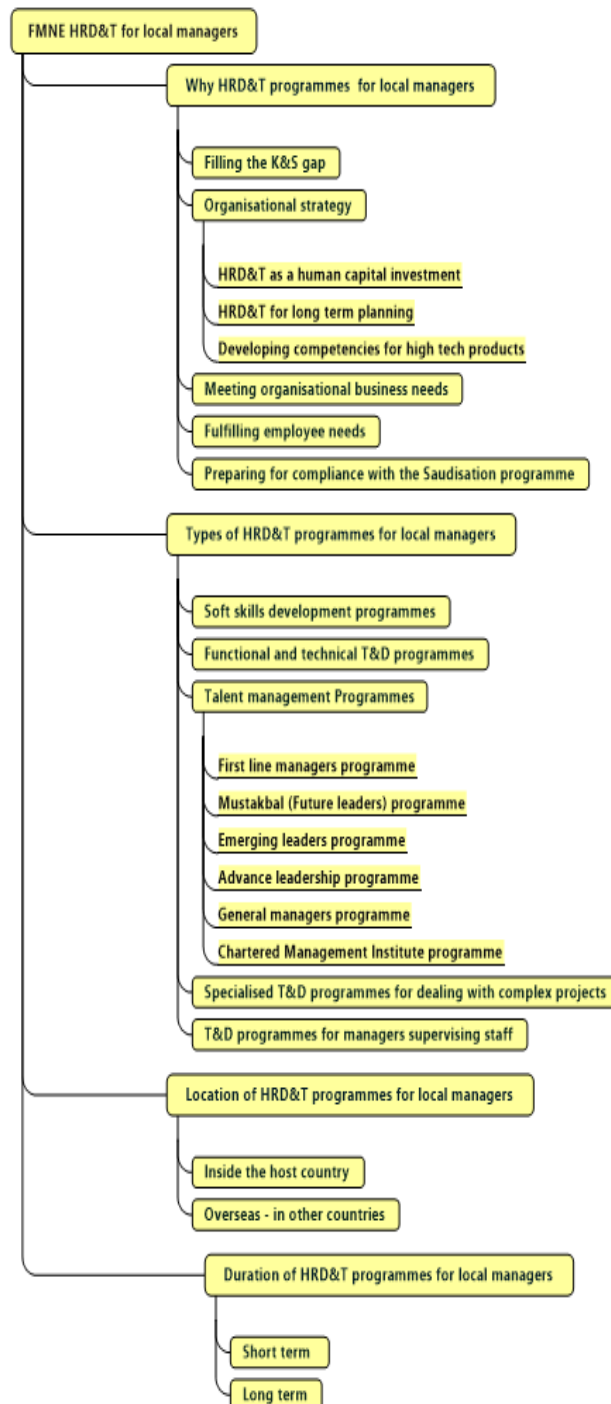


Figure II. Summary of positive impacts of FMNE subsidiaries' human resource development and training programmes on FMNE subsidiaries and local managers

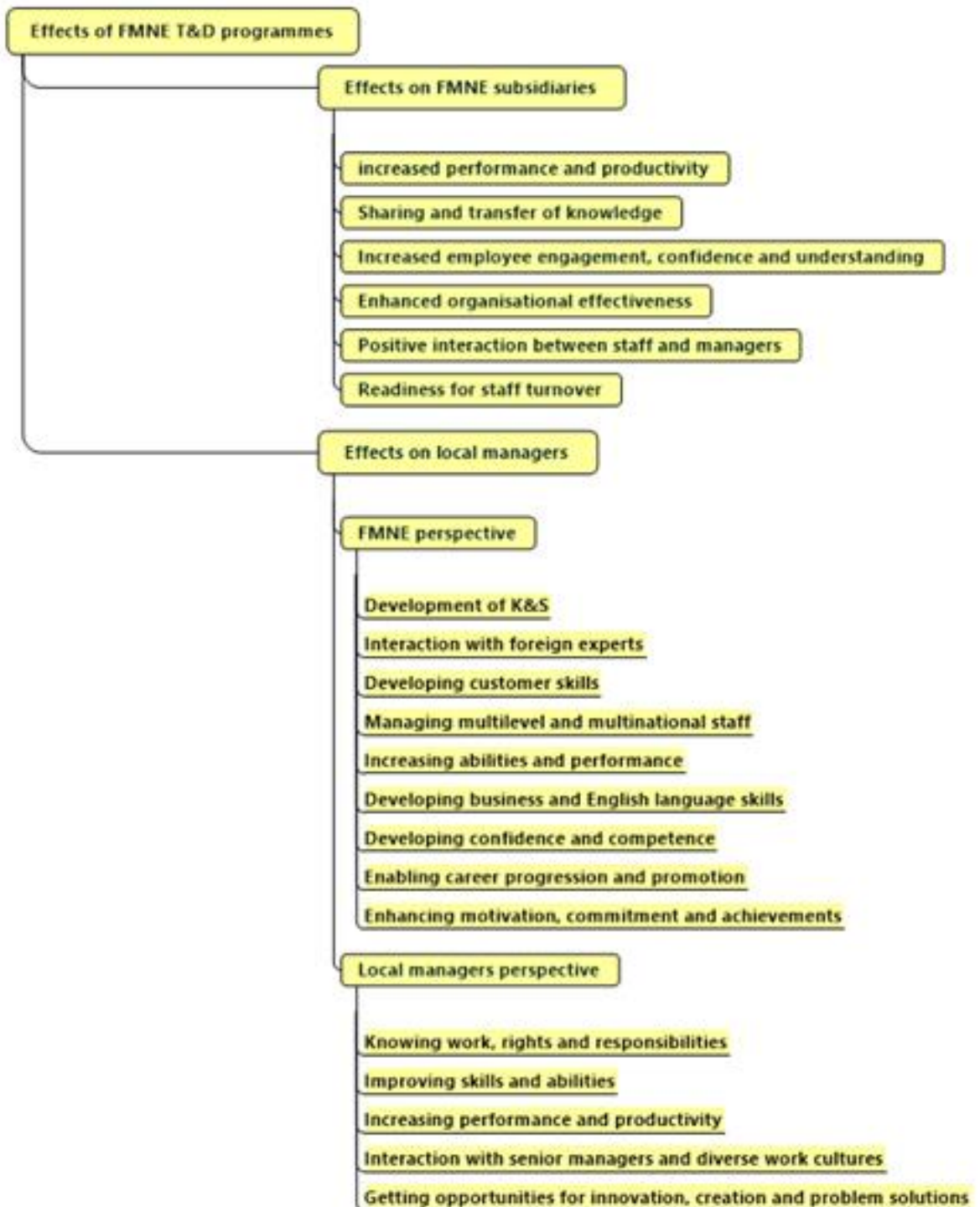


Figure III. Summary of the reasons of FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations.

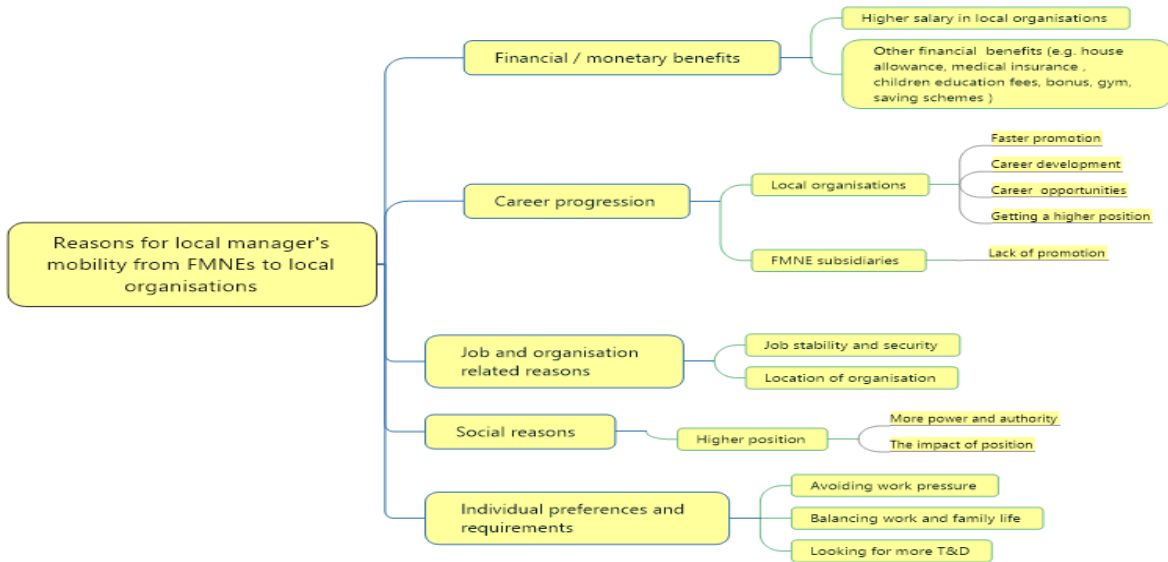


Figure IV. local organisations due to trained local managers' mobility from FMNE subsidiaries to local organisations

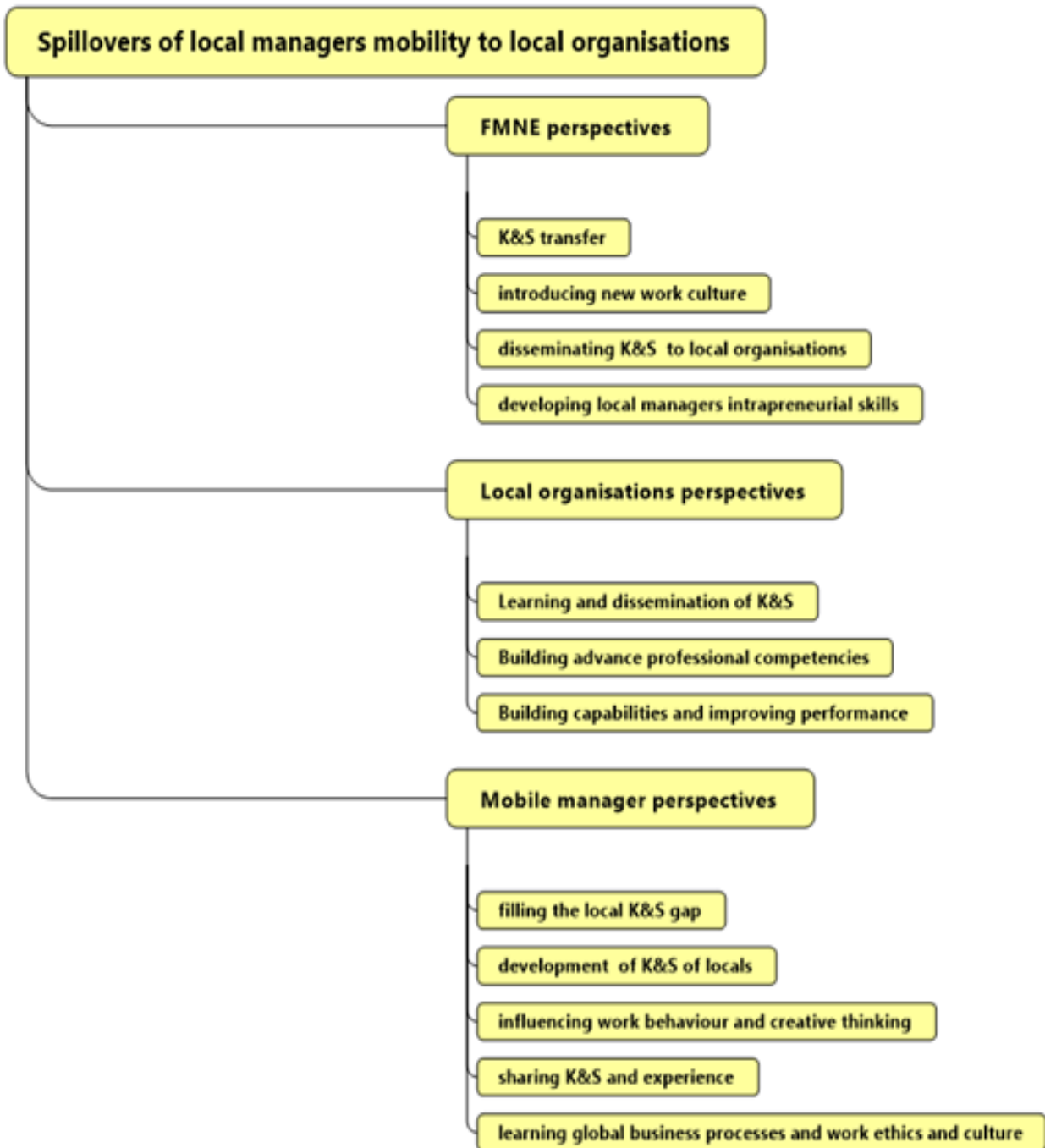


Figure V. Summary of human capital related impacts on local organisations due to FMNE subsidiaries trained local managers' mobility from FMNE subsidiaries to local organisations

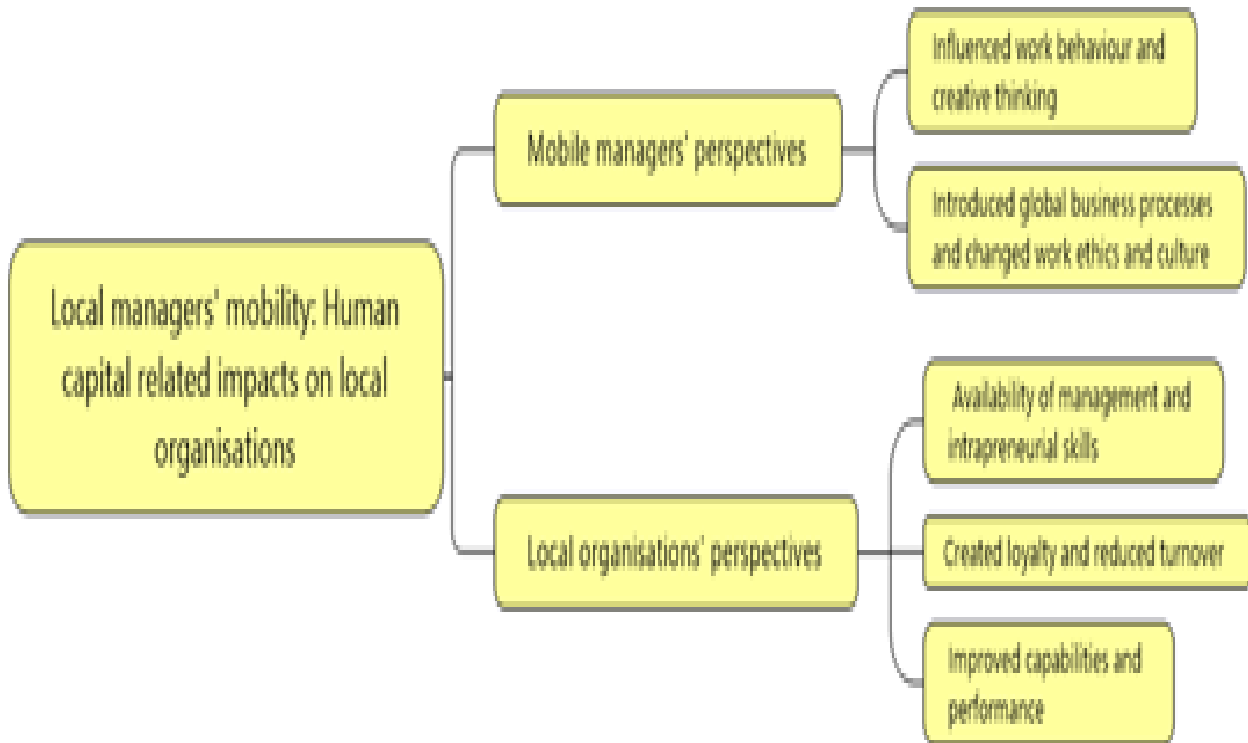


Figure VI. Summary of IFDI contributions in local human capital development in developing countries



Figure VII. Summary of suggestions made by FMNE based managers, local mobile managers and managers at local organisations for enhancing positive impacts of IFDI on local human capital development in developing countries

