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An Exploratory Study of Localisation Drivers and Barriers of Oil and Gas Service firms: A Case Study Approach

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Abstract

Purpose – The purpose of this thesis is to explore and understand the 'localisation' phenomenon from a geographical, cultural, technical and governmental theme to help explain why the level of local content in the oil and gas engineering and technical services private sector tends to flatten out at specific engineering and management skillsets in order to balance quality and delivery of the service and maintain operational excellence. Five research objectives were developed to achieve the research aim to provide a clear understanding, from a corporate strategic perspective, of the drivers and perceived barriers to successful localisation.

Localisation in Context – *"When a local national is filling a required job sufficiently competently to fulfil organisational needs" (Potter 1989)*.

Design/methodology/approach – Due to the nature of investigation, this study adopted a qualitative inquiry. Thus, a mix of qualitative data collection methods were used such as document, experienced observation, and interviews with senior managers at the corporate strategic level of the business. An interview guide was developed from a conceptual framework generated from the literature review. The study targeted an 'elite' sample of oil and gas executives/ managers who are considered role models in the case study organisation. This study argues that a form of grounded theory/qualitative inquiry is adopted during data analysis using open, axial, and selective coding, leading to an evolved conceptual framework of localisation drivers and barriers.

Findings – In addition to a thematic analysis, an integrated view from the researcher as an experienced observer resulted in a validated conceptual framework. This framework provides a holistic set of factors that must be considered, and understood, from a corporate strategic perspective as being directly influential in achieving successful localisation of a subsidiary part of the business. It is found that four of the five objectives were met and objective five partially achieved which identified an opportunity for further research to investigate and develop weightings across the four localisation barrier themes to determine an optimised balance of cost, delivery, and local content to maintain the desired operational excellence in the oil and gas services contractor industry.

Originality/Value – The study appears to have a contribution to *knowledge* through the evolving conceptual framework of localisation and provides the first holistic view of both localisation drivers and barriers relevant to oil and gas services contractors. A *methodological* contribution is worth noting since the researcher acted as an experienced observer during the process of this research. No doubt, industrial experience of the research and his access to the senior management has been one of the key contributing factors to a successful completion of the study. Finally, one can argue that this study has made contribution to the *policy makers* who provided access to the researcher. The findings of this study will provide a better and clear understanding of localisation and its drivers and barriers.

Keywords – Localisation Drivers, Localisation Barriers, Local Content.

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I am deeply grateful to Dr Ahmed Beloucif who has been my Principal Supervisor throughout this endeavour and has, guided my work and kept things in perspective during this journey, albeit resulting in some great debates providing some humour in the process.

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Finally, I dedicate this thesis to my wife, Carla whose loving nature and understanding of my drive to succeed has been my strongest foundation, and to the lovely inspirational Ella Bo for reminding me that there is more to life than a DBA!

Glossary of Terms and Abbreviations

Brownfield Engineering Services	Example - Modifications carried out on a 'live' oil and gas platform or asset. From conceptual engineering through to commissioning and start-up
CBO	Central Bank of Oman
CEO	Chief Executive Officer
Core Values	The guiding (mandatory) principles of the case study organisation 'Oilco'
Culture	A set of basic assumptions – shared solutions to universal problems of external adaptation (how to survive) and internal integration (how to stay together) – which have evolved over time and are handed down from one generation to the next
Culture Novelty (Distance)	Difference in organisational culture, and general non-work differences between the native and host culture. These differences hinder interaction, non-work and job adjustment
DBA	Doctorate of Business Administration (University Award)
EQAA	Experience, Qualifications, Ability and Attributes as concluded in academic research by Potter (1989)
Ethnocentrism	Where one believes their cultural beliefs are stronger than others
Excom	Executive Committee
Expatriate Adjustment	The psychological discomfort an individual feels in a new situation
GCC	Gulf Corporation Council
Governmental – Derived Theme	Relate to factors that may be inherent in a countries governmental sector and may influence a corporate of local business entity to mould their operation in a way that may not be suitable for their company to deliver a quality or profitable business
Green Ball Balancing Technique	Researcher's term to describe the hypothesis that localisation factors have to be balanced to achieve a % of localisation congruent to operational excellence – developed from historical information in Kazakhstan

HNC	Higher National Certificate
HR	Human Resources
HRD	Human Resources Department
HRM	Human Resources Management
HQ	Head Quarters of the Case Study Organisation 'Oilco'
In-Country Knowledge – Derived Theme	Relate to factors that consider a home country's subsidiary entities country, the people, real estate, and leadership therein
IOC	Independent Oil Company
KBTU	Kazakhstan British Technical University – leading university in Kazakhstan
Local Content	The % of local employees in the total resources required to deliver the services required. For example, the number of local engineers versus expatriate engineers required to deliver a project in the oil and gas industry
Local Content – Derived Theme	Relate to factors specific to the local resources (nationals) of the country in which a corporate company need to recognise and understand prior to setting up a business entity in a particular country
Localisation	When a local national is filling a required job sufficiently competently to fulfil organisational needs
Localisation Drivers – Derived Theme	Relate to reasons why a corporate company may decide to localise a business entity in a new country
Localisation Plateau or 'flat-lining'	Taken from the researcher's previous MBA studies and derived from this study as the historical evidence of levelling out of local resources in the localisation strategy to maintain operational excellence
MBA	Master of Business Administration (University Award)
MNC	Multi-National Corporation
MNE	Multi-National Enterprise
MPND	Kenya's Ministry of Planning & National Development
NOC	National Oil Company
Oilco	Fictitious name given to the Case Study Organisation

PNG	Papua New Guinea
PRC	Peoples Republic of China
Qualitative Research	Is defined as "being concerned with actors' interpretations of their situations" (Filstead 1979)
Quantitative Research	Is defined as "following the procedures for scientific enquiry" (Filstead 1979)
RBV	Resource-Based View
RDT	Resource-Dependency Theory
RGU	Robert Gordon University
Strategic Behaviour – Derived Theme	Relate to factors that are influenced by a corporate company either, prior to setting up an entity or, as part of the strategic decision making process prior to commencement of operations delivery in country
UAE	United Arab Emirates

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CHAPTER ONE: INTRODUCTION

1.0 Background

It is widely acknowledged that one of the key strategic goals of a multinational organisation operating in a developing country is how to balance Quality and Delivery of a product/service with the level of local content and a use of local workforce.

In many emerging economies rich in mineral resources, Local Content (Localisation) is becoming a strategic consideration in investment decisions and project delivery.

For clarity, it is better to answer the question - *what is localisation?* Selmer (2004) defines localisation as *"the extent to which jobs originally filled by expatriates are filled by local employees competent to perform the job".* Moreover, Potter (1989) highlights that an effective localisation occurs *"when a local national is filling a required job sufficiently competently to fulfil organisational needs"*

In Kazakhstan legislation passed in 2010, mandates that new concession agreements to develop subsoil resources must deliver a minimum Kazakhstan Content (personnel employed, goods, works and services). The law is being operationalised through a range of Local Content regulations. These include the setting of minimum local content targets in the award of major contracts, i.e., Kazakh-only tender lists for materials that Kazakh producers have a proven capability in supplying; and a minimum share of contract value to be awarded to Kazakh suppliers and sub-contractors within contracts won by international contractors.

However, localisation is a complex process. It is arguably misunderstood or misrepresented from a geographical, cultural, technical and governmental perspective. A delivery of government, imposed local content, can leads to significant risk to an incumbent MNE who has underestimated the effort required to meet, and sustain, a minimum local content percentage within a subsidiary business.

The researcher's experience in managing a large engineering and technical operations team, over a number of years, in the developing countries of Caspian Region and Africa has motivated him to investigate this localisation phenomenon, from a corporate strategic perspective, faced by engineering and technical services firms. This research focuses on a well-established company from the oil and gas industry.

1.1 The Organisation as a Case Study

For reason of confidentiality, the company is referred to as (Oilco). The company provides a full range of services worldwide to the upstream and downstream hydrocarbon businesses such as offshore and onshore oil and gas facilities, refineries and chemical plants. It supplies these services to both major and independent integrated oil companies and national oil companies. Its global network employs over 43,000 people and has an impressive international footprint unique in the industry and sources. The organisation nurtures and deploys the best people to ensure that the talent of the entire network is available to the customers whenever they need it. The company is headquartered in Aberdeen, Scotland with major operational offices in five continents. The company creates sustainable and fair employment with career development opportunities across the five continents. This led the company to face diverse challenges and develop bespoke operational strategies in an attempt to align the businesses with the current local market conditions.

The Company is committed to being a socially responsible corporation and to achieve this, they live by its core values and take into account the economic, social, and environmental impact of all aspects of our business. In delivering their engineering and technical operations projects globally they bring their 'People' and 'Social Responsibility' core values to the forefront of the business, and exhaustive Management effort has seen their local content grow over the years. However sustaining this performance requires innovative thinking and investment in people, which is undoubtedly the most challenging part of the global business.

1.2   Research Problem and Researcher Personal Interest

This section attempts to explore the research problem and also explains the researcher's personal journey in identifying and developing the research topic for this thesis. As a senior manager of operations for an oil and gas engineering firm, it is to reflect on localisation and its importance from a personal experience and observations.

It is widely known that in the global oil and gas industry, skills transfer from the engineers and managers of International Oil Companies (IOC) to staff working locally for National Oil Companies is an important route to greater efficiency and productivity. A recent Celerant Consulting report (2007) goes on to state that it relieves some of the pressure on scarce human resources. Carried out successfully, so-called 'localisation' projects make a major contribution both to output and to good working relationships. But smooth and effective implementation is everything.

According to Celerant Consulting (2007), the global oil industry faces a real challenge in the shape of an acute shortage of highly qualified petroleum engineers. It appears that the situation is going to get worse not better, based on current trends. It will take several years for the size of the skills base to come back into sync with industry demands, even if all the corrective actions in key areas such as undergraduate recruitment were taken today. A transfer of skills to National Oil Companies or indeed local resources looks like the only feasible response in the short and mid-term. This is illustrated through the Kazakhstan market conditions, namely the shortage of skilled engineering resources, which saw an enormous effort by one of the case study company's local subsidiaries to increase its investment in training its own people, allied with finding innovative ways towards developing the next generation of Engineering resources and Leaders, in order to meet the challenges facing the Kazakh Oil and gas Industry and society. One key initiative was developing a relationship with the Kazakh-British Technical University (KBTU).

The researcher understands, through experience, that the economic climate in Kazakhstan is currently difficult. However, experience has taught us that

investing in employee training is vitally important to both profitability and to the long-term survival of the company.

The value and success of these evolving long-term initiatives are realised through time.

In the short-term, through its core value aligned strategy 'Oilco' attempts to sustain high local content through people retention during the tough market conditions in Kazakhstan.

Following his personal motivation to explore this localisation phenomenon, the researcher presented a practitioner paper (McDonald, J. 2012) at the "February 2012 Engineering Innovation Conference" in Almaty, Kazakhstan. He examined and reflected on the current academic thinking relating to Localisation of Management and Engineering resources in the context of the Brownfield Engineering Services Sector. This practitioner paper described the problem statement identified in one of the subsidiaries of 'Oilco' operating in Kazakhstan. It also provides evidence of localisation plateau, or 'flat-lining' within the project engineering services sector. This subsidiary exposed a key issue that the industry needs to address, to ensure the knowledge development of next generation of engineers and the integrity of the future Oil and Gas Assets in Kazakhstan, and in particular relation to support to the operational phases of the assets.

This key issue - a perceived requirement for a shift change in knowledge from the early stages of the oil and gas life cycle to the latter stages, and instillation of an operational mindset to support the fast developing future of Oil and Gas industry in Kazakhstan. This practitioner's paper provided a simple thought process and offered up ideas or incentives for consideration by the industry advisors and forum with the intent to develop these incentives through collaboration and debate post plenary sessions.

The key input to this session, the practical problem, originated from the 'Oilco' subsidiary business based in Atyrau, Kazakhstan, whom is one example of a Brownfield Engineering Services Contractor that provides a full range of services to the upstream and downstream hydrocarbon businesses. The subsidiary services contractor supplies these services to both major and independent

integrated oil companies and national oil companies and recognises the distinct and unique challenges, governmental, cultural, labour relations, education and training needs inherent in Kazakhstan which provide challenges in achieving the corporate objectives of localisation of resources in Kazakhstan, none more so than recognising that the quality of the engineering services or product must not be compromised which will have an obvious impact on business revenue and reputation. The researcher portrayed a localisation trend, experienced since engineering business inception in Kazakhstan, and a hypothetical trending towards Kazakhization. Localisation had increased quite significantly during this period of data gathering, but evidently starting to plateau or 'flat-line', arguably, indicating knowledge starvation in this particular services sector. This plateau is an industry concern in meeting stronger imposed localisation incentives by the Ministry of Oil and Gas, to accelerate localisation.

Furthermore, this flat-lining may be influenced by many other factors or barriers that are perceived to be imposed either from an individual country perspective or indeed directly influenced from the parent company strategic objectives, or the behaviour of individuals themselves.

There is a tendency to believe that there is an organisational push towards achieving full localisation within the shortest possible time. It is probably originated as more of an economic strategy, due to the relatively unknown barriers or inherent issues in developing countries.

This localisation problem appears to be a global one. It has been well advocated by the researcher during the IV Eurasian Energy Forum and the Local Content Forum on 25th September 2009. In this gathering, the researcher's contribution to the localisation phenomenon at the Forum was well received by the attendees. Farouk Al-Kasim presented material on "Developing Local Content – Why did Norway Succeed?" and summarised stating Norway was highly developed before the oil age, it had highly developed institutions and high level of education, developed competence and capacity, supported participation of contractors to stimulate the development of general know-how in the country. He mentioned some pitfalls that must be avoided – Ensure high quality and mitigate rise in costs and avoid weakening other national industries through brain-drain and wage inflation as a result of oil activity.

On the counter-side, and relevant to a less developed country, Professor Yelena Kalyuzhnova presented a paper "Defining Local Content in the Caspian Region" and responded to the question on why to develop local content stating it provided a lower cost engineering resource and facilitated a relationship building with national oil companies and host governments – to broaden knowledge base of local capabilities, customs and regulations – and was a fact of life for contractors. She goes on to state that this is not a quick fix and must be supported by long term development plan – requires a sustainable workload and clients must accept it increases contractors risk in the early days.

From the above, and the literature reviewed, the research problem is summarised through a single main research question and four sub-set questions as follows:

Main research question: Localisation is a complex process and it is arguably misunderstood or misrepresented from a geographical, cultural, technical and governmental perspective – Why?

- Why is localisation 'flat-lining' to maintain a quality engineering product and sustain operational effectiveness?

- How can a firm achieve a balance of local content demands in-country with a sustainable and competitive business?

- Why is there is an imbalance of local engineering knowledge in some of the developing countries such as the Caspian Region?

- Localisation continues to be a hot topic at international conferences and seminars – is there a disconnect between academia and engineering or technical operations?

To address these issues further, it is evident that the localisation phenomenon must be understood in the first instance, and in particular what drives a company's subsidiary to localise? And more so, what barriers are preventing successful localisation? When these are known then we can expect to address more specific and individual issues on a more informed basis.

Experience shows that while localisation is easy to advocate, it is less easy to put into successful practice. Ian Jones, Vice President Operations of Celerant Consulting concludes three critical factors need to be addressed: mutual gain, where there need to be something in it for both parties (IOC and NOC); fast and focused progress; productive collaboration where both parties need to work together effectively at the micro-level. They must work together to overcome cultural and process differences to arrive at a sustained increase in local content.

1.3   Aim and Research Objectives

1.3.1 Research Aim

The aim of this study is to explore the localisation phenomenon, from a <u>corporate strategic perspective</u>, and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation.

This understanding will provide a solid footing to further investigate what drives oil and gas engineering and technical services contractors to localise their subsidiary business units and what the inherent barriers are which are preventing successful localisation of subsidiary businesses. This intentional step back from what is currently known within 'Oilco' will allow a contrasting and informed view of the localisation phenomenon, the view of which has been drawn from, and validated, during an academic literature review. The conceptual framework derived from the literature review provides the foundation and input for development of an interview guide that will be implemented to conduct interviews with senior executives and managers within 'Oilco'. Thirdly, the primary data collected from this 'elite' sample will validate, modify, or incorporate new themes into an evolving framework which can be used by all oil and gas services contractors during their 'global' strategic decision making process.

1.3.2 Research Objectives

Five objectives have been developed to achieve the aim of this research. They have also taken into account the timeline of a DBA during its initial planning stage, i.e., using access to senior executives and managers to collect primary

data. Significant time was required to investigate the localisation phenomenon in a general context and from a multiple country perspective. Silvey (1975) observed:

"A research plan is, at best, a considered and calculated set of compromises based on the aims of the research, the resources available, and the social realities of the field of investigation".

The researcher's experienced observation over a number of years in the Caspian Region and Africa has culminated in a gathered knowledge and awareness of localisation issues. In some way this generated the research problem described in section 1.2. However, this has arguably assisted in development of remedial localisation plans based on a lack of academic understanding or indeed previous knowledge of research in this area, in particular in terms of generalisability of the localisation phenomenon.

Table 1.1 summarises the research objectives that have since been developed to address the aim of this particular study from a <u>corporate strategic perspective</u>.

Table 1.1: Research Aim and Objectives

AIM		Research Objective
To explore the localisation phenomenon and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation	1	To develop and validate a conceptual framework generated from the literature review
	2	To identify the 'localisation' critical success factors and barriers to increasing local content, in a general context
	3	To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry
	4	To investigate localisation drivers and their importance to the engineering services contractor industry
	5	To assess the key barriers that have a major impact on operational excellence, quality and delivery

Source: Original

1.4   Scope of Research

This research focuses on primary data collected from executives and senior managers of an engineering and technical services contractor in the oil and gas industry. Through this thesis, it is referred to as "Oilco" which is the fictional name given to the case study organisation used. The respondents constitute an 'elite' sample. This targeted sample is comprised of some of the most influential decision makers within 'Oilco', each with an average of 25+ years in the industry.

The study did not extend to other services contractors who could be classed as the competition to 'Oilco'. This was not part of the scope of this study, although given the synergy between services contractors in the oil and gas industry, then, arguably the findings and conclusions could be considered transferable.

Where appropriate and validated, the scope includes the views of the researcher who has been an experienced observer in the role of Engineering Manager and Technical Operations Director across a number of countries over several years. These views are validated through historical data and relationships with various institutes in the countries where 'Oilco' has operated as a subsidiary. This practical experience led to an interpretive philosophical approach.

 The research concentrates on investigating the localisation phenomenon in a general context and through a critical review of literature before soliciting the views from the oil and gas industry executives and senior managers. These participants were questioned as to whether the interpreted or perceived localisation drivers and barriers as described by the academics are validated, relevant, or incomplete, in an oil and gas services contractor context.

Finally, the scope extends to provide and summarise the value of the research outputs to a company already operating in, or going into a country for the first time to deliver operational excellence and seeking to localise a business subsidiary.

1.5 Thesis Inputs

This thesis comprises of five chapters and a synopsis of each will follow.

Chapter 1 introduces 'Oilco' and describes a 'real' problem in the oil and gas industry in particular relation to the organisation's subsidiary in the Caspian Region. The localisation issue has provided the idea for this DBA research work and the inspiration to the researcher, an experienced observer for several years through a senior management role. It provided him with a platform of a comprehensive understanding of the localisation phenomenon and use of this knowledge to tackle inherent problems in meeting the governmental high local content demand.

The aim and objectives of this study are developed to address this problem and are clearly summarised in this chapter along with a process, represented in Figure 1.1, generated by the researcher that explains the process followed to complete this work.

Chapter 2 provides a critical review of selected literature relating to localisation phenomenon. A background to localisation is provided for the reader along with a review in a high level context. This is followed by a discussion in the context of company performance versus localisation. A review of existing and relevant academic models is also presented.

This chapter then reviews in more detail the drivers to localisation and perceived barriers to localisation. An interpretivist approach is taken with regard the drivers to localisation. A combination of localisation knowledge from the literature and experience of the researcher are used to draw out a comprehensive list of the perceived drivers. It is worth noting that a critical review of the literature has helped to gather a comprehensive list of factors that contribute to both the drive for a subsidiary company to localise, and also act as perceived barriers to successful localisation. Thus, it has led to develop a framework of key themes drawn from the academic text. Some research gaps are summarised and tabled in this chapter. Adding to this, a conceptual framework of localisation factors is generated and presented in Chapter 2.

Chapter 3 examines the design of the research. It presents a coherent and structured approach to the selection and implementation of the methodology most suited to establish a solution to the research problem. A definition of research is provided and the 'research onion' analogy by Saunders, Lewis and Thornhill (2015) is also used to provide a clearer structure for this chapter as follows:

- Philosophy;

- Approach to Theory Development;

- Methodological Approach;

- Research Strategy;

- Time Horizon;

- Data Collection;

- Data Analysis

Chapter 4 deals with the analysis of the primary data collected from 'elite' individuals from 'Oilco' who are a leading incumbent in the oil and gas services contracting industry. It highlights how a primary qualitative data is collected through semi-structured interviews and analysed thematically. Different sections reflecting individual themes are presented. Moreover, the researcher uses a combination of tables and interrelationship models to present the analysis of findings. Additionally, the researcher provides supported individual thoughts during these arguments based on his own experience in the oil and gas industry, where he was involved in the start-up of new business subsidiaries in a number of developing countries. Thus, an evolving conceptual framework of localisation factors, represented in Figure 4.7, is derived and presented in Chapter 4.

Chapter 5 presents conclusion and recommendations. The findings are reflected on and linked to the aim, research objectives and previous studies identified in the literature review. Additionally, future research areas have been identified to complete this exploratory research.

Recommendations are provided for executives and senior managers of services contractors in the oil and gas industry who have a keen interest in setting up

new subsidiaries in developing countries and are confronted with balancing local content targets with a sustained operational excellence.

1.6   Research Process

To help summarise this section a schematic of this research process is provided which illustrates each of the research stages undertaken for this thesis. Figure 1.1 provides this comprehensive description of the steps described in this chapter.

This research process schematic provides the reader with a simple reference to each of the chapters described in the thesis and how these interrelate in achieving the final outcome of this research work.

1.7   Ethical Considerations

The confidentiality of the respondents, both the individuals and 'Oilco', have been promised and respected, since the executives and senior managers have given confidential information about the internal operation of their respective organisations during the exploratory work, case study, and interview guide used.

An information sheet describing the purpose of this study, the benefits of participating and why, and what will happen with the results, was developed along with a participant consent form. This was made available to each of the participants in advance of any interviews being carried out to ensure them that their anonymity was kept confidential throughout the process.

This information sheet and consent form is included in Appendix 1 of this DBA thesis.

Figure 1.1: The Research Process

CH 1

| Business Observation |
| Idea Development |

CH 1

| Preliminary Data Gathering |
| Conferences & Other Secondary Research |

CH 1

| Problem Definition |

CH 1

Aim	Research Objectives	
To explore the localisation phenomenon and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation	1	To develop and validate a conceptual framework generated from the literature review
	2	To identify the 'localisation' critical success factors and barriers to increasing local content in the general context
	3	To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry
	4	To investigate localisation drivers and their importance to the engineering services contractor industry
	5	To assess the key barriers that have a major impact on operational excellence, quality and delivery

SECONDARY RESEARCH

PRIMARY RESEARCH

CH 2

| Literature Review |

CH 2

| Develop Draft Theoretical Model |

CH 3 AND 4

ResearchType
(Applied or Basic)

Philosophy

Approach to Theory Development

Methodological Choice

Strategy(ies)

Time Horizon

Data Collection Analysis

DEVELOP RESEARCH

CH 5

| **Evolving Conceptual Model** |

Compare & Contrast against Draft Model

NO

CH 4

| Are the Objectives Achieved? |

CH 5

| Report Writing |
| Conclusions |
| Recommendations |
| Future Research |

Source: Original

CHAPTER TWO: LITERATURE REVIEW

2.0 Overview

It is widely acknowledged that a critical review of literature aims to identify and evaluate concepts and theories relating to the phenomenon under investigation. It also helps to develop a conceptual framework as a road map for the study. This study focuses in understanding and explaining the localisation phenomenon, its drivers and its barriers. It also attempts to identify any gaps in the literature that can be addressed through the study objectives. In summary, this critical literature review follows a deductive approach as advocated by Saunders, Lewis, and Thornhill (2015).

The researcher made full use of literature review spreadsheets and a full literature review summary table to gather a chronological summary of the literature selected during this review. This is described in the methodology Chapter 3 of this thesis and the spreadsheets are included as appendices to this work. The academic papers that have significance in this work span from 1988 through to current time of thesis development and these four decades draw out many repetitive drivers and barriers to localisation covering general research, the US, Africa, China, Hong Kong, Taiwan, Oman, Saudi Arabia, UAE, and Papua New Guinea. The most up to date research appears to originate in the Middle East during the current decade.

However before discussing previous academics thoughts on the localisation phenomenon it is important to set the context of "localisation" as used in this research.

2.1 Definition of (effective) Localisation

In the context of this study, one definition of (effective) "localisation" occurs *"when a local national is filling a required job sufficiently competently to fulfil organisational needs"* (Potter 1989). Another quoted definition is *"the extent to which jobs originally filled by expatriates are filled by local employees competent to perform the job"* (Selmer 2004).

2.2 Localisation Background

Localisation literature provides the basis for this study. But, the view of the academics (Selmer 2004; Hailey 1996; Kobrin 1998; Scullion 1991) whether total Localisation of a parent company's local business is a key for success for any MNC is not at the forefront of this particular study. The intent of the researcher is to understand the drivers to localisation and the barriers preventing an oil and gas services contractor setting up a local subsidiary in a new country, and in particular in a developing country.

The researcher, in his own role as a senior director of a services company and with fifteen (15) years in the international environment, believes most good MNCs implement localisation with a certain degree of success. The researcher includes 'Oilco' in this group of MNCs who boast incorporation, partial in some cases, of all points in their current HR practices in their local business units. Other academics (Fryxell et al. 2004; Selmer 2004; Law et al. 2004) support Potter's (1989) theme, advocating that certain conditions such as planning, willingness of expatriates to train, selection and recruitment, lead to successful localisation.

The majority of the Localisation literature, empirical studies, and factors leading to successful Localisation, in this field to date has focused on localisation of senior management positions in the Peoples Republic of China (Law et al. 2009; Fryxell et al. 2004; Wong & Law 1999; Itagaki 2009; Selmer 2004; Gamble 2000) and Gulf Economies (Forstenlechner 2010; Dosary & Rahman 2005; Rees et al. 2007). However, there is some literature spreading to the Americas (Kobrin 1988) and Papua New Guinea (Bhanugopan & Fish 2007).

All of these studies of course add to the emerging literature on managerial localisation in general but <u>no</u> literature has been found which is specific to localisation of high performing engineering or management positions in the oil and gas energy sector. However, the researcher argues that the general themes that have emerged from academia (Law et al. 2004 and 2009; Fryxell et al. 2004; Selmer 2004; Hope and Hailey 1995) research to date, such as parent company support, trust relationship between expatriate and local managers, willingness of expatriates to train, top management commitment, and

localisation HR practices in the local firm, can be more or less applied to less high-value jobs. Indeed Potter (1989) makes no real distinction in his experience, qualifications, ability and attributes (EQAA) model between any levels of employee.

Almost every publication on the topic of 'expatriate adjustment' defines and measures 'expatriate failure' as the percentage of expatriates returning home before their assignment contract expires. There appears to be misquotations between the various literatures, due to the very limited number of solid empirical studies, indeed Harzing (1995) suggests refraining from any exact figures on expatriate failure rates. However, enough evidence is found to suggest that the expatriate failure rate has fluctuated between 25 and 40 percent (Henry 1965; Misa and Fabricatore 1979; Tung 1981), with the average cost of failure to the parent company ranging between $55,000 and $85,000 (at time of writing) depending on location of assignment (Misa and Fabricatore 1979).

Indeed this older but valid reference is an example of high cost exposure which may drive an MNC to localise expatriate positions as soon as possible. However, this comes at further risk to a local subsidiary and parent company that may fail to deliver the quality and performance required in line with the company's core values or indeed operational objectives. This is supported by the work of Potter (1989) who addressed effective localisation of the workforce and transferring technology in developing countries, and provided an interesting quotation which is arguably still very valid today.

> *"A key problem facing many multinationals and local organisations in the Third World countries is how to balance the two goals of high quality and nationalised workforce"*

A balance has to be found between cost, quality, and performance. The level of local content applied has an influence over delivery of a company's business objectives and as such it is of extreme importance that senior managers understand all drivers to localise, and why, and weigh these up against perceived localisation barriers and the cost to overcome these barriers successfully, in an attempt to localise a local subsidiary in a new country.

Hailey (1993) stated that most researchers in this area have concentrated on, for example, the efforts of Japanese MNCs to localise their management staff in US or Europe, or the implications of replacing expatriate managers. Researchers at this time rarely concerned themselves with the dynamics of localisation, the pressures to localise, the operational and financial implications, the difficulties of localizing management in developing countries, or the potential conflict of interest or cross-cultural dilemmas faced by local managers. It is argued by the researcher that a thorough understanding of all these issues is required by senior managers and executives of a parent company, if she is to succeed in entering new countries and developing a successful business and achieve operational excellence in the process.

2.2.1 Company Performance vs. Localisation

Any literature themes, which relate to how performance is affected on a continuum scale of localisation and in particular those MNCs that have chosen to develop their business in a developing country, or an area of environmental uncertainty, is directly valid to the this particular study given that the 'Oilco' is developing new business in many countries where oil and gas reserves are still abundant.

Company performance in the context of this research is defined as the effort expended, with an optimum local content, to achieve the quality of product required by a client to ensure the safety and integrity of their oil and gas assets, safety of the human resources, and with no harm to the environment, at a cost which can match the other engineering contractors or competitors.

Hailey (1998), one of the key writers in the localisation field, and publisher in International HRM, claims a dearth of knowledge in this area. However, Lam et al. (2008) partly fills a gap in this area of research, albeit in the context of the PRC again, and interestingly examines staff localisation versus performance at different levels of localisation. They claim expatriates and local staff represent two complimentary resources critical to a success. Indeed Hailey (1998) exposed this current recurring theme of trust and harmony amongst expats and local staff as being a contributor to success and cementing the argument of Hope & Hailey (1995) who state the real issue facing MNEs is not about the availability of management skills but more a matter of trust. The researcher supports the

belief that if a company can afford expats then they can afford to train locals and build this trust. Law et al. (2010) who conducted an exhaustive empirical study in China and concluded localisation related management practices contribute to the success of localisation, which in turn has a positive effect on a firm's performance. Finally, Lam et al. (2010) measured successful staff localisation in parallel with environmental uncertainty and concluded that the negative effect of an increase in localisation beyond an optimal point is expected to be stronger under the condition of high environmental uncertainty.

2.3   Existing Academic Models

A summary of relevant and existing academic models is felt relevant prior to the extended commentary and detail that follows pertaining to the perceived drivers and barriers to localisation. Table 2.1 has been generated by the researcher to summarise key factors related to each of the academic's works and provides the year and country in which they originated. The intent here is <u>not</u> to look for arguments through cross-fertilization of the models as they all contain some relevance to this work and indeed to the success of localisation of a business unit. However, the summary exposes the diversity of thoughts in this area and does not really lend itself in providing a composite suite of interpretive factors that would arguably help senior managers of a business to gather a holistic view of the key factors that should be addressed in an operational strategy or indeed at the strategic decision making stage of whether a parent company should set-up subsidiary business in a new country. A holistic framework of factors would arguably help senior managers of a fast-track industry such as the oil and gas sector to quickly set their strategy in this respect.

The models developed to date drawn upon research across China, PNG, UAE and Saudi Arabia and in some cases present a generalistic context to localisation and it can be argued that these models could be applied to other countries. However, there is no study presented in the context of the oil and gas industry although in the case of Bhanugopan & Fish (2007) and Fayol-Song (2011) there is valid research pertaining to the private industry and how collaboration is important between the government and private sector to achieve the localisation targets imposed.

A detailed review of these models reveals common themes as you might expect and it is interesting to note that many of them are analysed in the perspective of a Human Resource function (Potter 1989; Wong et al. 1999; Bhanugopan & Fish 2007; Randeree 2009; Fayol-Song 2011) and as such describe a need for training and development and the influential aspects of expatriates. Wong et al. (1999) goes on to consider a three stage process that starts with planning and states the organisational or host country factors are important antecedents in the process. This is supported through the work of Randeree (2009) who consider the organizational factors to be important but described another three stage process this time labelled: (1) career development; (2) knowledge transfer skills; (3) recognition of high performing individuals in an organisation. Indeed other academics including Bhanugopan & Fish (2007) describe other HR staged processes using another terminology.

The researcher recognises that these models are interrelated and might be better grouped and identified with a common terminology to assist current and future senior managers to benefit from a sieved process. This is addressed further through this work which ultimately draws localisation drivers and barrier themes from these models and a more abundant literature review spanning the last four decades.

Table 2.1: Relevant Academic Models & Factors to Successful Localisation

Year	Country	Author	Key Factors
1989	General	Potter, C	• Develops an Experience, Qualifications, Ability, Attributes (EQAA) Model • Focus is on transferring technology in developing countries • Puts forward three considerations for effective localisation: (1) nature of organisation; (2) capabilities of the individual; (3) capacity of organisation to train particular skills
1999	China	Wong, Chi-Sum Law, K.S	• Develops a practical model for localisation of Human Resources • Considers a three stage process: (1) planning; (2) localizing; (3) consolidating • Concludes some organizational and host country factors are important • Analysed in perspective of HR Function
2007	Papua New Guinea	Bhanugopan, R Fish, A	• Develops a Future Localisation Model • Results show effective localisation should focus on: (1) areas in which an expatriate can provide value; (2) assess the value generated by an expatriate; (3) training and development of local staff • Model depicts a series of expatriation programmes, culminating in localisation • Depicts a collaboration between the private sector, government is necessary for successful localisation
2009	Saudi Arabia	Sadi, M. A Al-Buraey, M.A	• Develops a simple research model to measure success of Saudization
2009	UAE	Randeree, K	• Develops a generic model for organisational implementation of a HRD for Emiritization • Depicts three key areas; (1) career development; (2) knowledge transfer skills from expat to national; (3) recognition of high performing individuals in the organisation • Concludes some organizational and host country factors are important • Analysed in perspective of HR Function
2010	China	Lam, S.S.K Yeung, J.C.K	• Developed a graphical model depicting regression of performance on degree of localisation and environment uncertainty
2011	China	Fayol-Song, L	• Develops a model to depict reason for management localisation and their impact • Depicts the following reasons for localisation: (1) cost reductions; (2) replacing the lack of expatriates; (3) recourse to local competencies; (4) good relations with government; (5) developing and retention of local talent

Source: Original

It is not the intention at this point to describe these models which are referenced, where required, as the reader navigates through the literature review section of this work. This summary in Table 2.1 has been provided to expose diversity in the thinking behind the localisation phenomenon and although all relevant, there is arguably a need to gather from numerous articles, filter, organise, and identify relevant themes in a format that is more simpler to digest for day-to-day senior managers. These managers are under real pressure to make decisions more quickly in a dynamic and fast-track oil and gas industry. No single paper has been found that addresses both the localisation drivers and barriers in a comprehensive and easy-to-understand format that could alleviate the frustration bourne by senior managers of private sector organisations such as the oil and gas sector.

2.4   Motivation for Localisation (Drivers)

The researcher intends to build on previous research by comparing or contrasting academics views and providing a view of his own previous studies in cultural interaction, cultural novelty, ethnocentrism, and expatriate adjustment, and of course through experienced observation over two (2) decades of business delivery in-country. In doing so he focuses on the gathering of themes (localisation drivers and barriers) that emerge from a selected literature stream up to the point of saturation (thematic duplication) where the researcher stopped the review purposely due to a DBA committed timeline and the confidence that further reviews would expose similar themes. Firstly, localisation drivers are discussed in this chapter and these are followed by a discussion on perceived localisation barriers in section 2.5.

The context of this research requires a review that extends back a few decades in order that a saturation point is reached whereby all localisation drivers and barriers are exposed which is a key objective of this study to move forward.

An exhaustive review of the literature in this area (indirectly in some cases) exposes a number of drivers which may influence a parent company to localise a subsidiary or entity. The researcher provides a critical review during the process and has drawn out his own perception of the drivers due to the dearth of research in particular relation to localisation drivers. The researcher lists these

perceived drivers in Table 2.2 in order of perceived influence and this (influence) is measured by the number of studies that considered each as a driver to localise. This table provides a useful basis for the discussion that follows.

Table 2.2: Localisation Drivers

Localisation Driver	Studies	Theme
Technical Development	24	Driver
Local Content Policies	20	Driver
Corporate Strategy	15	Driver
Cultural Alignment	13	Driver
Cost Reduction	6	Driver
Local Market Knowledge	1	Driver

Source: Original

More than half of the academic journal articles reviewed *indicates* that 'Technical Development' and 'Local Content Policies' are key drivers to localise a business in a particular country. The current stream of research in the Middle East, in particular relation to the argument whether the Gulf Corporation Council (GCC) localisation policy is successful or otherwise, draws a lot of interest in this regard. Al-Waqfi and Forstenlechner (2014) describe lack of clear, reasonable, and enforceable Emiritization targets as hindering the localisation process which clearly points to a government driving localisation through technical development of locals and compliance to local content policies; as such this should be a clear driver for any company wishing to enter this market. Indeed it may be argued that technical development and local content policies go hand-in-hand and this is represented in the summary table and number of times both technical development and local content policies are exposed. Evidence to support these as key drivers is found by other academics from research in the Middle East (Forstenlechner et al. 2012; Swailles et al. 2011; Randeree 2009; Forstenlechner 2009; Al-Hamadi et al. 2007; Al-Lamki 2005; Al-Dosary et al. 2005; Madhi & Barrientos 2003; Al-Lamki 1998).

Although these papers in some cases describe unique barriers, which are discussed later, they all link back to technical development through a drive to implement local content policies which are driven by the government of a country in which a business operates.

Many academics cite Potter (1989) and his definition of localisation. His paper puts forward a 10-point plan for localisation and this is developed around technical development of the local workforce. This paper is more general which implies it can be considered in a number of countries and different industries. However, this paper is considered too general and not an empirical study and arguably needs further substantiation in this particular study.

Fayol-Song (2011) presented a model of reasons for management localisation which has five criteria which is depicted in Figure 2.1.

Figure 2.1: Reasons for Management Localisation
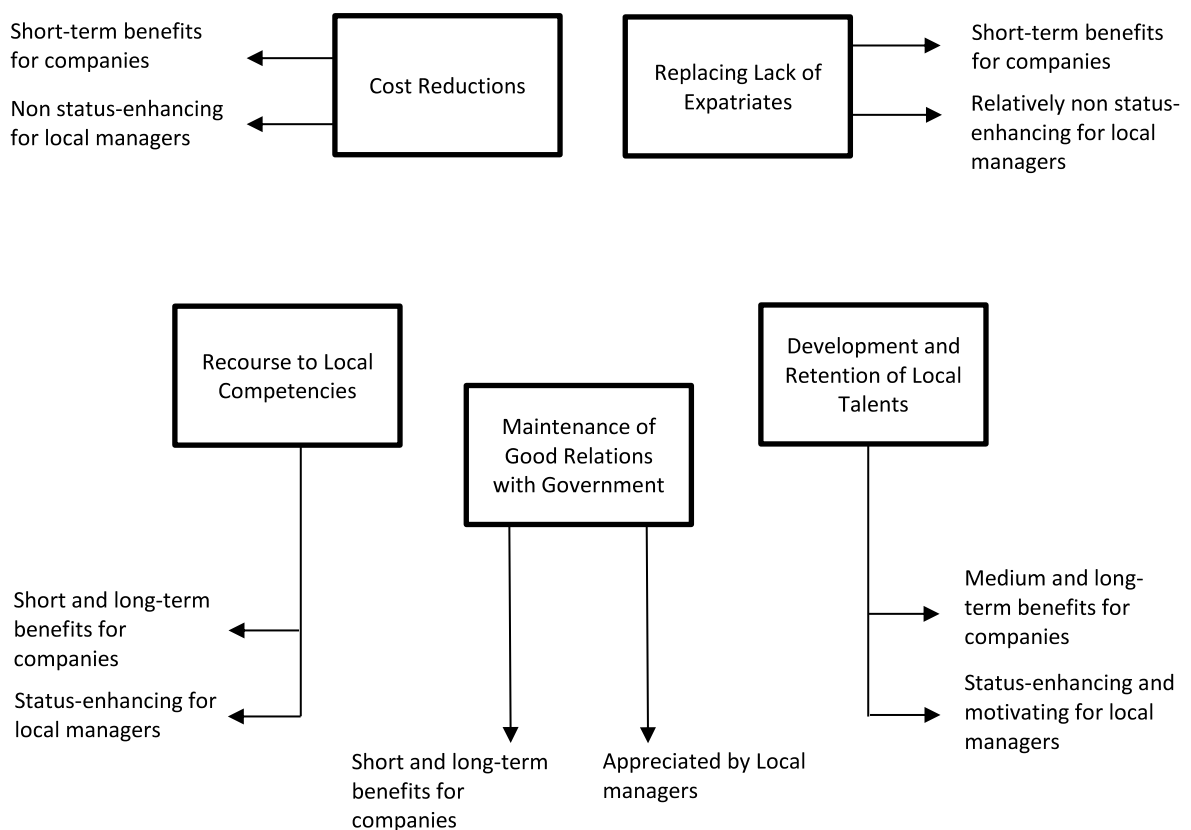
Source: Fayol-Song (2011)

It can be seen from this model that synergy exists with Table 2.2 in which the researcher has attempted to structure appropriate headings to represent consistent homes for all the themes gathered across a number of academic writings. For example, 'recourse to local competencies' is covered under 'cultural alignment' with the rest arguably, having self-explanatory headings in Table 2.2. This critical re-structure assists the reader and provides a coherency across a number of different academics where similar themes are exposed. The researcher argues whether 'replacing lack of expatriates' is really a driver in the context of his own work given that the oil and gas industry is truly global and an abundance of expatriates exist and further argues that a lack of expats to transfer knowledge from the parent company in the first case would make the decision to enter a new country rather secondary, and challenges whether this is indeed a localisation driver. However, there is a strong relationship with 'technical development' and 'local content policies' which are appreciated by local managers and have both short and long-term benefits for companies.

Previous research by Cohen (1992) highlighted technical development and local content policies to be at the forefront of local capacity building in Kenya where Kenya's Ministry of Planning and National Development (MPND) had made large investments in national universities and overseas graduate training programmes but the number of experts were still not declining. It can be argued however, that Kenya accepts foreign aid and this sometimes skews the influence that a local content policy may have on a private company.

The research carried out by a leading writer in this field, John Hailey, can lead one to indirectly link this to technical development as a driver given that it deals with the knowledge transfer relationship between expatriate and local resources. The researcher perceives such ethical considerations and relationships between these parties (Hailey 1993; Hailey 1996; Hailey & Harry 1998; Hailey 1998) as significant contributors to localisation success.

Similarly, this theme is evident in a stream of research in China where Selmer (2004) exposed technical development as the key concept to drive localisation, this time through an expat's willingness to train and the enthusiasm that surrounds his or hers impending redundancy.

These barriers are discussed in section 2.5. Selmer's (2004) paper "Corporate Policies Motivating Expatriates to Localise in China" extends this work providing compelling evidence that local content policies are a real driver for any parent company in localising a subsidiary in China. As you would expect there are parallel themes with regard to an expatriate working themselves out of a job which will be considered further as a barrier in section 2.5.

Vance & Ring (1994) in supporting technical development as a driver, approach this from a host country worker perspective whereas most other academics consider the expatriate as the driving forces in knowledge transfer. There are clearly two sides to consider given the evidence in this paper which is concluded in a global context and advocates this to be relevant in a multi-industry context.

Law et al. (2004) considers the resource-based view of firms treating human resources as a competitive advantage; this is true of 'Oilco' in this particular research where human resources are the only assets of the organisation. The researcher considers this to be indirectly related to the compliance to local content policies and perhaps technical development as the localisation drivers for setting up a new entity in China. There is empirical evidence in this particular paper that MNCs have to decide how important their human resources in their operation are.

It could be argued that technical development of local resources would lead to successful localisation and realise cost reductions generally although there is evidence in some of the Middle East countries that the public sector and governmental jobs pay a higher compensation to local employees than expats than that of the private sector. However, this is not the case in the oil and gas industry which repeatedly compensates to a much higher level than other private industries.

From evidence during the literature review, a much smaller percentage of studies exposed 'Cost Reduction' as a key driver to localise. In China, Fayol-Song (2011) produced empirical evidence to conclude that one reason to localise is to reduce management cost. This work supports earlier findings by Lam et al. (2004) who discussed three corporate forces responsible for encouraging companies to localise; regulatory, normative, and cognitive with the latter

representing the conception of players as to what they are and what type of action might be meaningful to them in a given situation. Managers believe that localisation creates genuine benefits, with reduced expatriation costs being one of them.

Rees et al. (2007) during his research work in the UAE refers to africanization policies widely and why these have been enacted and prominent within these is the stance that it is more economical to maintain indigenous staff than expatriate staff. It is not in the scope of this work to discuss all nationalization policies around the world but merely to identify that policy is a key driver to localisation as described earlier.

In the global context, Hauser (2003) states that the primary reason most companies move to localisation is the cost savings. She used Cendant Mobility Consulting practice global data stating more than half of the companies listed cost maintenance as the primary benefit of localisation. This is surprising when compared to the literature review carried out by the researcher when around 10% of the studies exposed cost reduction as a key driver to localise. None of the previous research mentions the oil and gas industry and its competitiveness and desire to reduce costs. Additionally, the researcher notes that more recent publications do not mention cost reduction as a primary driver to localise.

'Corporate Strategy' as a localisation driver is exposed as a recurring theme throughout the literature review where the parent company takes the time to understand and develop an operational strategy to localise a subsidiary.

It can be argued that corporate strategy can include a number of criteria and the researcher, through the detailed literature review, makes an attempt to roll up the underpinning sub-themes into this category before summarising some academic thoughts views below.

Law et al. (2009) produced the first study that found a significant relationship between localisation success and top management ratings of company performance. They state that the ultimate goal of an MNE is to gain competitive advantage and to reap high performance outcomes and used the resource-based view (RBV) approach. RBV suggests that MNEs would choose to localise to gain valuable social resources for competition through local managerial positions. The

paper concluded that parent companies must be willing to provide more resources to the local subsidiary and to provide a higher degree of autonomy to the local managers and in return the local managers must commit to localisation as well. All of which would have to be transformed in localisation-related HRM practices and form part of a parent company's corporate strategy from the outset.

Fryxell et al. (2004) is supported in this respect and although not using the resource-based view they conclude that greater effectiveness of the local managers is required and that it appeared localisation can be important to strategy implementation and should be considered much earlier in the decision making process and arguably, the researcher feels, introduced into an approved corporate strategy prior to making the decision to enter a new country.

Both these studies were conducted in China and arguably they extend the earlier work of Wong & Law (1999) who, in addition to the cost reduction objectives of an MNC, stated that local employees have more connections in the local environment and as such it is easier for them to build local relationships in country and will boost the morale of the Chinese manager. This draws parallels with the more recent literature in China validating that planning a corporate strategy is important aspect and a key driver to localise. Indeed Wong and Law (1999) developed a practical model for localisation of human resources and corporate strategy is a key feature of stage 1 – planning.

Selmer (2003 and 2004) supports the work of Wong & Law (1999) and concludes local managers would probably be more suited to build critical relationships among lower levels of the company and government hierarchies. In addition, staff localisation may improve the confidence of Chinese managers since they offer opportunities for growth and career prospects and may enhance the morale of the locals. Hauser (2003) in her work from a global perspective supports the work carried out in China stating that companies look to localisation to improve equity amongst peers in the country and integration with local culture from a business perspective is of extreme importance. The researcher argues this will be more effective with local resources in the top management roles.

The selected literature review found that around 10% of the academic studies (Fayol-Song 2011; Randeree 2009; Lam et al. 2008; Al-Hamadi et al. 2007; Rees et al. 2007; Bhanugopan & Fish 2007; Yu 2005; Law et al. 2004; Hauser 2003; Selmer 2003; Lam et al. 2004; Hailey 1993; Hailey 1996) considered 'Cultural Alignment' as a driver for an MNC to localise, although the researcher argues that this could related to the discussion around corporate strategy in previous paragraphs. However, it does offer up additional cross-country support to the previous research carried out in China, that local managers would probably be more suited to build critical relationships among lower levels of the company and government hierarchies due to the alignment of cultural values between each stakeholder in the relevant country in which a subsidiary of a parent company is operating.

2.4.1 Summary

It was difficult to find a single paper that adequately gave a holistic view of why parent companies choose to localise a subsidiary. The researcher accepts this and finds it understandable given that every company will have its own reasons or motives for entering a new country and market and setting up a new entity. However, given the current climate and drive for globalisation it is important for all senior managers to know what drives businesses to localise.

This literature review attempts to gather all the drivers from various journals. In some cases they are not as easy to identify, but through interpretation, the researcher managed to gather these perceived drivers and categorise them to make it easy for the reader to understand and in doing so use these, and localisation barriers exposed in section 2.5, as input to a conceptual framework that can be validated or further refined from primary research interviews.

The knowledge drawn from the secondary research or literature review is gathered from a number of different countries, and also includes a global perspective. However, the researcher argues that the localisation drivers exposed through this review are in large, neither an empirical view, nor have they been used as a primary means of gathering further primary data during the research. A couple of exceptions are noted. Firstly, Hauser (2003) who used data from Cendant Mobility's Consulting Practice to validate that half of the

companies from this survey indicated that cost reduction was the main reason for localising a subsidiary. And secondly Fayol-Song (2011) carried out an empirical study and gathered data from interviews from twelve French companies operating in China. All these companies had operated in China for at least five years and started to localise their management positions. Everyone interviewed held a senior position. Interestingly, these two papers fed back cost reduction as a key driver to localisation, where the majority of other literature did not see this as a main driver to localise.

No literature was found which is specific to the oil and gas sector or close to the context of this particular study; the literature found is generally associated with the localisation of managerial positions and again, generally, the literature crosses boundaries between public and private sectors covering a number of different industries. This can be considered an advantage in the context of this thesis as it provides a thorough basis for a conceptual framework for the researcher to take forward and apply in the context required for this work.

From this discussion, the literature review concludes the following drivers in Figure 2.2 as an input to a conceptual framework.

Figure 2.2: Summary of Localisation Drivers

Localisation Drivers

- Local Content Policies
- Cost Reduction
- Technical Development
- Corporate Strategy
- Cultural Alignment
- Local Market Knowledge

Source: Original

2.5   Barriers to Localisation

The literature review carried out across the selected and Peer reviewed academic journals validates the need for some order to be introduced that allows senior managers in any business to understand, from a holistic view, what barriers can exist to localisation, and what needs to be considered in a business strategy prior to any decision to enter into a new country or indeed decision to set up a new subsidiary.

Over twenty (20) perceived sub-themes or barriers to localisation were identified during the review. The researcher developed main themes to gather the underpinning localisation barriers. This provides a more structured approach to the discussion that follows. The Localisation Literature Review Summary spreadsheet identifies all these individual sub-themes and this spreadsheet is included as an Appendix 5 to the thesis.

These main themes have been selected by the researcher through his own knowledge as a senior manager in the oil and gas industry and as an experienced observer whilst on location in a number of different countries where 'Oilco' has set up local subsidiaries of their operations.

The main themes generated by the researcher include the following.

- In-Country Knowledge

- Governmental

- Local Content

- Strategic Behaviour

For consistency, a similar approach is taken as described in section 2.4 where the researcher lists these exposed perceived barriers to localisation in Table 2.3.

This table provides a useful basis for the discussion that follows.

Table 2.3: Localisation Barriers and Themes

Barrier to Localisation	Studies	Theme
Expatriates Attitudes or Behaviours	11	In-Country Knowledge
Local Labour Market	10	In-Country Knowledge
Private Sector – Lack of Awareness	9	In-Country Knowledge

Regulations & Attitudes of Government	13	Governmental
Foreign Aid Policies	1	Governmental
Legal Framework	1	Governmental

Experience & Qualifications of Locals	9	Local Content
Locals Attitudes	9	Local Content
Cultural Values	9	Local Content
Local Subsidiary Responsiveness or Commitment	8	Local Content
Quality of University Degree	8	Local Content
Poaching of Resources	1	Local Content

HQ Strategic Management (Commitment)	12	Strategic Behaviour
Quality of HR Training Programmes	12	Strategic Behaviour
Salary & Benefits	10	Strategic Behaviour
Local Content Planning	8	Strategic Behaviour
Recruitment & Selection	8	Strategic Behaviour
Successful Implementation of Strategies	6	Strategic Behaviour
Quality of Services & Performance	5	Strategic Behaviour
Organisational Characteristics	3	Strategic Behaviour
Expatriate itinerants	1	Strategic Behaviour

Source: Original

2.5.1 In-Country Knowledge

Three sub-themes have been exposed from the review that is considered to be attributed to the human resource behaviour, market knowledge, or indeed awareness of the parent company organisation in a country where a parent company may consider investing by way of a new local subsidiary. The researcher has intentionally not included a local's attitude under this theme and includes this under the local content theme, due to its importance which is discussed in section 2.5.3.

From Table 2.3, it is found that this theme attracted the highest interest in regard to the 'expatriates attitudes or behaviours' whilst on location in a particular country.

2.5.1.1 Expatriates Attitudes and Behaviours

A key problem facing many MNCs and local organisations in developing countries is how to balance the two goals of high quality and a localised workforce. Potter (1989) is often cited by other academics and is one of a few academics who present a plan for localisation based on his identified obstacles to localisation, one of these being an expatriate's attitude who, (1) can assume that their own extended training is essential to perform the job and that, (2) they have a financial vested interest in maintaining local dependency on them. However, Kobrin (1988) argued that at least a core of expatriate managers are necessary to identify with the corporate objectives of a parent company. The researcher can understand the need for the latter and perhaps being able to manage the expectations of both the parent company and that of the expatriate through a sound operational strategy may be reasonable compromise should it be clear expatriates are really needed.

Hailey (1998), a leading writer in the field, purports attitude and respect by way of contradictory values and the apparent lack of trust between expatriates and locals were further aggravated by the attitude of expatriates. Nearly two-thirds of locals interviewed in his research concluded that expatriates were patronizing and acted in a colonial manner. Indeed Hailey (1996) through research by International Development Centre at Cranfield School of Management, undertaken in Singapore and Malaysia suggested that traditional respect shown

by local staff towards expats was waning. The study went on to say that few respondents (locals) agreed with the company's suggestion that expatriates were needed to supply skills of management expertise; one respondent commented: "Most expatriates learn on the job, and the locals end up teaching them".

Although this research is dated, the researcher through his own experience can find support to both these arguments and it remains a current debate as to whether expatriates are really required in a particular industry and whether there are better ways in which to interact.

Randeree (2009) describes a gradual replacement of expatriates with nationals through greater private sector employment of nationals is presenting dual problems, (1) private sector employers have negative perceptions of nationals being less productive that expats and there is an unwillingness to employ them and, (2) Emirati nationals are legislated to higher salaries than expats for the same work. The researcher argues that the latter may be true in the UAE but in the context of oil and gas it is somewhat skewed and will be further discussed later in the thesis.

Selmer (2004) supports Potter (1989) through research in China and states to work oneself out of a job is not normal practice in the business world and expatriates may be less enthusiastic about such a prospect. This work was relevant to subsidiaries operating in China and provides empirical evidence, via questionnaires directed to western businesses operating in China, that support claims that some corporate policies may be effective in motivating incumbent expatriates to promote and contribute to the localisation process.

This study has not been replicated in any other country although the researcher can understand that employing expatriates that understand their requirement in a mentoring capacity to locals before taking on the assignment may in some way extinguish the arrogance perceived by some academics and encourages more interaction between locals and expatriates in achieving successful delivery of a subsidiaries goals.

2.5.1.2 Local Labour Market

The researcher found little research that addressed the local labour market intelligence as a barrier to localisation although experience (from knowledge of strategic planning in 'Oilco' and other conference seminars in the oil and gas industry) suggests that this is a pre-requisite requirement before setting up a subsidiary in a new country. It can be argued that 'private sector attractiveness' has a direct association with this factor. The researcher prefers to isolate this discussion in paragraph 2.5.1.3 to recognise the work carried out by academics in this area.

However, Lam and Yeung (2010) provided a scarce but relevant insight to staff localisation and environmental uncertainty on firm performance in China. This study found that in an environment with high uncertainty, an increase in staff localisation among organizations having lower degrees of localisation was associated with better organisation performance. They go on to state that organisations operating in an uncertain environment also need to pay closer attention to its degree of localisation. Although this work originated in Asia, it is perhaps relevant to the researcher's own work in as much it argues that a thorough understanding of a local market, especially in developing countries is crucial to the set-up and operation of local subsidiaries. The perceived dearth of literature is this area will be subject to further critical analysis during primary data analysis and discussion in Chapter 4.

2.5.1.3 Private Sector Lack of Awareness

There is a stream of recent research (Al-Waqfi & Forstenlechner 2014; Forstenlechner et al. 2012; Toledo 2011; Swailles et al. 2011; Randeree 2009; Sadi et al. 2009; Muysken & Nour 2006; Al-Lamki 2005; Al-Dosary et al. 2005) conducted in the Middle East which concludes that lack of knowledge of the private sector is impeding localisation targets set by the government. Nationals in the Middle East appear to prefer employment in the public sector for a number of reasons (wage differentials, attractive working patterns, and perks) and this can be in same way attributed to their lack of awareness of the private sector industry.

Al-Waqfi & Forstenlechner (2014) argue that focused programmes of experiential learning and awareness-building initiatives at various stages of the HR development process would be necessary to create the right set of work skills and competencies. This could provide individuals with a better knowledge of what is required in the private sector.

Randeree (2009), through research within the UAE examined Emiritization with a view to evaluating the success of a policy as well as its shortcomings to this point in time. The paper draws light on principles which may direct the strategy for Human Resource management (HRM) in this context. The researcher was drawn to the academic's model reproduced in Figure 2.3.

Figure 2.3: Integration of HRD for Emiritization with External Bodies
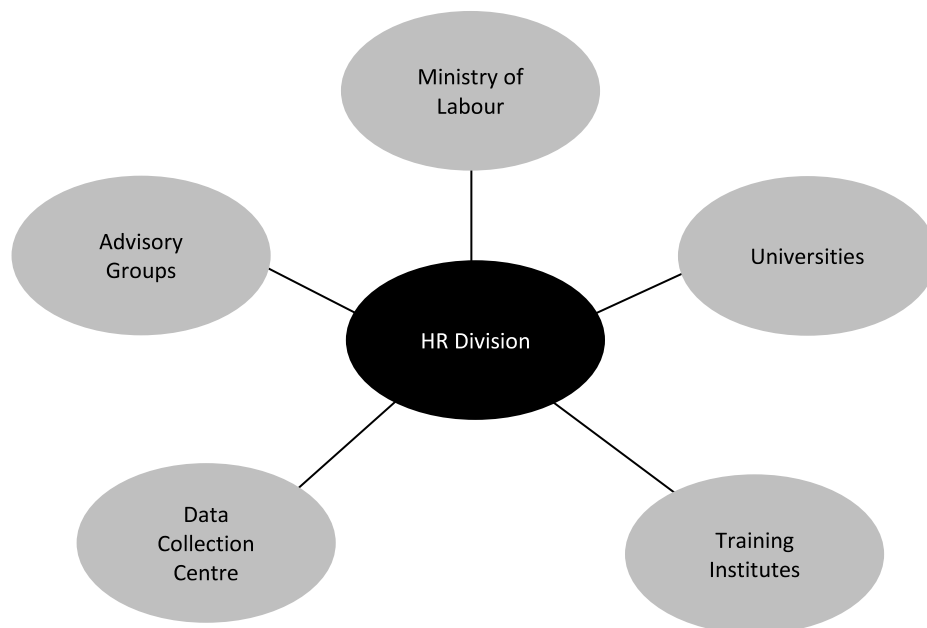
Source: Randeree (2009)

This research was applicable to both public and private sector but emphasises the role of the government, institute, advisory groups and the private/public sector organisations and the central role of HRD to ensure that the mismatch of qualifications and the required knowledge of the private sector industry is addressed by all stakeholders and ensure that locals are given a fair chance to take up employment within the private sector industry. The researcher

recognises that the majority of the academia originates fairly recently from within the Middle East, although Bhanugopan & Fish (2007) address a similar theme in PNG, however, evidence from the researcher's recent talk at the engineering innovation conference in Almaty, Kazakhstan provides evidence that this 'private sector attractiveness' issue extends more globally.

Swailles (2011) suggests a call for greater attention to the realm of young Omanis and to their concerns about their readiness for working life. This validates the work of other academics in this area but takes a different line suggesting that the work ethic of Omanis makes them unsuited to private sector employment due to the social contract conditions which are different to those of the public sector.

In the context of this study (Oil & Gas industry), the researcher considers private sector attractiveness a key barrier to overcome and although the literature is mainly written in the context of the Middle East, it would appear relevant to many, if not all, of the developing countries. This is subject to further research in this thesis although in doing so the researcher considers that this factor sits better as an underpin to the local labour market sub-theme.

2.5.1.4 Summary

From the literature review, Figure 2.4 concludes the following in-Country Knowledge barriers to localisation as an input to a conceptual framework.

Figure 2.4: In-Country Knowledge Barriers to Localisation

A – In Country Knowledge

- Local Labour Market
- Expatriate Attitudes/Failure
- Private Sector – Lack of Knowledge

Source: Original

2.5.2 Governmental

Three sub-themes have been exposed from the review that is considered to be attributed to influence that a local government can have on a relatively immature, or indeed, new entity in a particular country.

From Table 2.3 it is found that 'regulations & attitudes' of the government attracted an overwhelming interest of any of the perceived barriers to localisation.

2.5.2.1 Regulations & Attitudes

Fayol-Song (2011) presented a model of reasons for management localisation which has five criteria one of which being 'maintenance of good relations with local government'. The model was described earlier and the researcher declared that governmental factors are a driver to localise in a particular country. However, from the evidence drawn from the literature review it is apparent that the government can act as a barrier to localisation in some instances and government regulations and attitudes merit further discussion.

There is overwhelming support that the Middle Eastern countries are not achieving the levels of localisation mandated by the local governments and in some cases the policy is just not working in the private sector (Sadi et al. 2009) where they state the policy is being implemented through force rather than through reasoning and persuasion. The study used a structured and self-administered questionnaire distributed among 300 executives in the service sector in the Eastern Province of Saudi Arabia who overwhelmingly rejected the idea of forcefully implementing the policy. However, Forstenlechner et al. (2012) claimed, through their work in the UAE, that top-down policies are imposed too arbitrarily. There appears to be some fragmentation of thoughts in this respect across the Middle East.

The researcher considers that the view of Forstenlechner et al. (2012) in clearly legislating that companies with 'active' rather than 'passive' nationalisation strategies will win more government work seems a reasonable position to adopt but further argues that this is depending in which industry a business is operating. However, it may be fair to assume that 'active' local content

'planners' may have the edge when it comes to good reputation or collaboration with the local government.

Government collaboration is a consistent theme in Middle East and there is supporting evidence within the literature stream in China (Fayol-Song, 2011).

Randeree (2009) states:

> *"Employing nationals in the private sector is a joint venture between three groups; the government, the private sector and the nationals themselves. A national employee must be prepared to enter the market and the private sector has to provide a suitable environment for a career path. The role of the government is to coordinate efforts in this regard"*

Swailles et al. (2011) supports previous work by other academics (Al-Lamki 1998; Al-Dosary & Rahman 2005; Al-Lamki 2005; Al-Hamadi et al. 2007) in their research in Oman concluding that successful localisation requires an active collaborative participation between government and the private organisations and lack of collaboration is arguably leading to a skills mismatch between the employability of graduates from the education system and the skills needed by employers.

Bhanugopan & Fish (2007) conducted an exploratory investigation into obstacles to localisation in a developing country; Papua New Guinea. Their conclusion regarding governmental factors are congruent to those the academics returned in the Middle East and China. They state, for localisation to effectively take root, the government has to play a major role in ensuring that this notion becomes a reality. They go on to state that the government has failed in performing its core functions; monitoring and implementing its policies. Of immense importance is the need for open dialogue between industry, education, and training institutions in PNG.

Wong & Law (1999), during research in China, state that the localisation process may be affected by organizational and contextual factors and categorises the regulations and attitudes of the government under this light. The influence of the government with respect to controlling the importation of expatriates, and the justification from MNCs to the required numbers for knowledge transfer, are key considerations in this area. It is argued by the researcher that the reputation a MNC has with the government may draw bias towards these issues; the

influence of the government cannot be underestimated in this respect, where knowledge transfer to locals from expatriates, could be affected enormously if expatriate quotas are not maintained.

2.5.2.2 Foreign Aid Policies

Cohen (1992), although an ageing reference, is arguably still valid in the context of the developing countries and provides an important background to a potential and future oil and gas market. The paper concluded that for some time to come the Government of Kenya will be served by expatriate advisors.

> *"Whatever improvement the government makes in number and professional capacity of its staff, as long as Kenya continues to accept foreign aid, and so long as there are sufficient grounds for donors to distrust Kenya's commitment to structural adjustment reforms and implementation capacity, it is going to have two kinds of foreign advisors at the headquarter and filed levels"*

> *"Notwithstanding ill-informed and increasing government insistence that sufficient numbers of trained Kenyans exist to manage and staff projects, as long as donors continue to fund complex multi-sector projects they are going to insist on such advisors to ensure effective project performance and inter-Ministerial coordination"*

The researcher argues that a balance is necessary between, (1) the influence the government imposed on the private sector companies and, (2) the effort a private sector company makes to comply with its own core values and government regulations in order that projects are successful in the long term and local resources get the required level of training to develop this resource base in relatively immature industries. For example, the oil and gas sectors in the developing countries. It is further argued that the amount of foreign aid accepted by a developing country should not dictate the speed of localisation in that country.

2.5.2.3 Legal Framework

There was a single reference found during the review that exposed the legal framework as a barrier to localisation and although it may be argued that this could be classified under regulations, the researcher feels that it should be treated separately to respect the conclusions of Al-Waqfi & Forstenlechner (2014). During research in the UAE they found that the Emiritization policy in its current level of implementation had a weakness through its lack of effective regulatory and institutional tools and instruments to ensure achievement of

Emiritization targets. Respondents believe the current laws and regulations were ineffective and considered the legal frameworks governing the employment of citizens was ineffective and that there are more problematic issues such as skill and competency levels, pay expectations, and commitment to work in a competitive environment.

This work was isolated to UAE and a relatively small sample size therefore the researcher is cautious in making a generalisation in this area and recognises that laws and policies of legal frameworks vary greatly from one country to another. The researcher further argues that the key issue in this respect is that a company's senior management needs to educate themselves in a particular countries law and policies at the strategic planning stage and decide whether they are going to pose significant barriers to the localisation of subsidiaries.

2.5.2.4 Summary

It is found that governmental factors can be considered both drivers and barriers to successful localisation; there is sufficient evidence from the literature review, and Tables 2.2 and 2.3, to justify this conclusion given that over half of the academics from the selected literature declared governmental factors as a driver and around a quarter of the studies declared these issues as a barrier to successful localisation.

From the literature review, Figure 2.5 concludes the following Governmental barriers to localisation as an input to a conceptual framework

Figure 2.5: Governmental Barriers to Localisation

B – Governmental

- Regulations & Attitudes
- Foreign Aid Policies
- Legal Framework
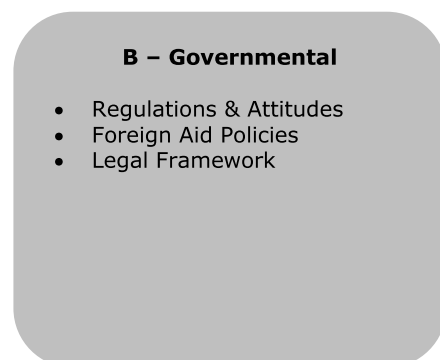
Source: Origianl

2.5.3 Local Content

Six sub-themes have been exposed from the literature review that is considered to be attributed to the local content, or national workforce of a subsidiary or entity of a parent organisation.

From Table 2.3 it is found that this theme attracted a balanced interest with regard to five factors from six, where around a quarter of the academic studies drew parallels: 'experience and qualifications of locals'; 'local's attitudes'; 'cultural values'; 'local subsidiary responsiveness or commitment'; and the 'quality of university degree'.

2.5.3.1 Experience & Quality of Qualifications

It emerged from the literature review, from Table 2.3, that around a quarter of the academic studies consider a local employee's experience and the quality of a qualification important to successful localisation. As mentioned earlier in the thesis, few things are more relevant to an organisation than profitability and quality, with the latter being very much influenced by the quality of training and the experience of an individual working towards this primary goal. In the oil and gas industry, for example, senior technical positions are professional ones with statutory training requirements, and poor performance may lead to compromised safety to personnel working on, or indeed damage to the integrity of the oil and gas assets, or the environment.

Potter (1989) in his article "Effective Localisation of the Workforce" is still relevant today as companies strive continuously to set up local subsidiaries in developing countries as part of their strategic localisation plans, and to become truly global. This paper is well referenced by other academics today and he puts forward three considerations for effective localisation; nature of the organisation, capabilities of the individual, and capacity of the organisation to train particular skills.

The capabilities of the individual in this case accounts for the experience of the individual and the qualification obtained and of course their ability to carry out the task required of him/her. These attributes could quickly lead to a barrier to successful localisation should a company set their expectations too high with

regard to skillset not matching the practical role to be carried out. For example, the role may not necessarily require a Master's degree if specialist technician skill set is required; perhaps an HNC would be adequate.

The researcher argues that in some cases a company may be biased towards expatriates for senior manager roles and be inclined to be over-onerous on writing of job specifications for particular roles and this may lead to complications with the Ministry of Labour who are actively encouraging roles to be filled by local resources. This supports the work of Cohen (1992) who concluded that expatriate advisors in Kenya would continue to be employed to ensure effective project performance although used in a slightly different context it is interpreted by the researcher to adopt a similar bias that required further investigation.

Research in the Middle East (Madhi & Barrientos 2003; Al-Dosary & Rahman 2005; Al-Lamki 2005; Muysken & Nour 2006; Forstenlechner 2010; Randeree 2009; Swailles et al. 2011, Al-Waqfi & Forstenlechner 2014) and PNG (Bhanugopan & Fish 2007) drew a common theme with regard to experience and quality of degree awarded and the impact of these factors in achieving successful localisation. It is vital that senior managers of a business understand the level of experience of prospective employees and of course the quality of education that a graduate has received within a particular country in which a local subsidiary may be set up.

Al-Lamki (2005), in his work in Oman, analysed data from the banking sector which indicated an overwhelming achievement of 91% Omanization. The Central Bank of Oman (CBO) played a pivotal role in this achievement and in particular placed training and development of the Omani personnel at the top of their list. This was carried out through a collaborative effort by the management of the CBO and the banking sector. The paper concludes that the Omanization milestone could not have been achieved without the collaboration, commitment, and dedication of the management team of the banking sector. It is argued that similar success stories can be achieved in private sectors provided that the government committee works closely with the management of private sector establishments, this includes the oil and gas services contractors in the context of this particular study.

Forstenlechner (2010) states that the schooling is weak in the UAE and the quality of the degree is not to the desired standard. There is a lack of career development plans and gaps between education requirements and reality. This work supports previous research by Al-Dosary & Rahman (2005) who stated that strengthening education and vocational training rather than relying on quota systems would aid the achievement of localisation targets. Al-Waqfi (2014) extends this research concluding that there are inadequate work skills for the private sector and deficiencies in the education system. On the counter side, Madhi & Barrientos (2003) concluded that there was a generous provision of training in Saudi Arabia and perhaps it is the attitudes of the Saudi themselves that skew away from vocational training in favour of non-technical subjects.

There is compelling evidence of a mismatch between the skills required for the private sector industries and the skillsets of the graduates from university. Indeed Bhanugopan & Fish (2007) developed a future localisation model which clearly identified training needs to bridge these gaps. The paper further concludes the possibility of establishing relationships among educational and professional institutions and the private sector to address labour market requirements and develop skills among locals. Similar collaboration initiatives are purported by a number of academics carrying out research in the Middle East (Madhi & Barrientos 2003; Muysken & Nour 2006; Randeree 2009; Swailles et al. 2011).

The researcher recognises that research in this area (mainly Middle East) may be isolated to this geographical area or may relate to other developing countries. Indeed there may be similar themes drawn across particular industries (for example, the oil and gas industry) and this will be subject to further investigation during this particular thesis.

2.5.3.2 Attitudes of Locals

The attitude of locals has an important bearing on knowledge transfer and the development of the local employee. In the first instance they must buy into the process and respect that they must take the time to absorb the knowledge of the parent company organisation and secondly there must be respect between both the expatriate mentor and the local employee. The attitude of the expatriate mentor is of course key to success in this particular area and this was covered adequately in section 2.5.1.1. Potter (1989) identifies three local's attitudes which may impede knowledge transfer and as such present barriers to successful localisation:

- Watching experts make their performance look simple, and local staff under-estimate the skills and experience being used;
- Cultural differences about the appropriateness of filling junior training positions or 'demeaning' work;
- Impatience and ambition.

Hailey (1993) stated that pressure from local managers made it hard to resist localisation of senior positions. They were becoming increasingly frustrated at the way their careers were blocked by expatriates holding senior executive positions, some of whom were young or inexperienced and relied heavily on experience and contacts of local staff. He goes on to say that their frustration was fuelled by their resentment at the perks and fringe benefits enjoyed by expatriate staff. Hailey (1996) expands on this research but interestingly notes that this resentment does not extend to technical specialists.

More recently the research carried out in the Middle East exposed a recurring theme where the locals were perceived to prefer jobs in the public sector rather than the private sector or white collar jobs to that of manual or technical positions. Al-Waqfi et al. (2014) concluded wage differences or indeed a commitment to work in a competitive environment encouraged locals to accept a position in the public sector as preferred employment.

Swailles et al. (2011) likened this to private sector attractiveness and the conclusion that 'locals' did not really know enough about the private sector and the conditions to encourage employment. They did not like the working hours or split shifts inherent in the private sector industry and were sceptical of the conditions the private sector offered (Swailles et al. 2011; Sadi & Buraey, 2009, Madhi & Barrientos, 2003).

The researcher recognises that there is little research carried out in this area with regard to a local's attitudes and the impact of these on knowledge transfer in a highly competitive environment which may influence the speed of localisation in some highly technically competent positions. Indeed the earlier research by Hailey (1996) is perhaps more relevant in this respect and there is a need to expand this research during this particular study.

2.5.3.3 Poaching of Resources

An interesting paper by Cohen (1992) describes initiatives to retain local employees in the public sector in Kenya. He stated that state corporations, donor agencies, and private firms appear unwilling to stop poaching professionals which results in additional advisors or gap-filling resources being introduced to the public sector industry. Specific government training of graduates was introduced for key economist's roles and only a small percentage of the officers offered this training had departed the scheme.

There is no literature found with regard to poaching of resources in the private sector between competitors which would have particular relevance in this work. It can be argued that poaching of resources in developing countries with an already scarce experienced technical resource pool can have a damaging effect of knowledge transfer or mentoring schemes which are not given adequate time to embed before resources leave for higher salaries elsewhere.

2.5.3.4 Cultural Values

In previous academic work, the researcher discussed the importance of a country's cultural novelty, or the home versus host cultural distance as measured by five cultural dimensions (Hofstede 1980, 1984, 1994), in relation to the degree of selection, training and adjustment required by both the home expatriates and the host employees, For example, the greater the cultural novelty then the greater the rigour of cross-cultural training is required. Hofstede (1980) previously identified four dimensions along which managers in MNCs tend to view cultural differences: power distance; individualism/collectivism; uncertainty avoidance; and masculinity/femininity. Baliga & Jaeger (1984) believe that when the cultural differences between a parent company and its subsidiaries are getting large, there will be more uncertainties in decision making and a significant negative effect on its subsidiaries performance.

Yu (2005) concluded in research carried out in Taiwan that business performance was improved if cultural differences between a parent company and a subsidiary is getting smaller. The researcher interprets this to mean the cultures of both the expatriates and locals are more aligned in their decision making. Vance & Ring (1994) earlier concluded that training of the host country worker (local) was as important as pre-assignment training of an expatriate and this can be extended to cultural adjustment training. The researcher argues that each culture (host and home) must be understood by all the senior managers and key decision makers in the company if the business is to prosper as a subsidiary in a new country.

Wong & Law (1999) supports the view that the localisation process may also be affected by some cultural values in the PRC. Specifically, failure to value intellectual property rights among Chinese is hindering the localisation of some MNCs. Such issues are simply not condoned by international companies and may present real barriers to setting up subsidiaries in some countries thus, supporting that an understanding of a country's cultural values is paramount at the early stages of planning and strategic decision making.

Bhanugopan & Fish (2007) further extends the global research in this area declaring culture in the Melanesian setting of PNG is yet another factor that has been perceived to be an obstacle to localisation. They further declare that cultural issues are many and varied and affect locals in their day-to-day life and draw out the issues which relate to family related affairs which can affect career paths and plans. They go on to support that a thorough understanding of cultural pressures and how they are manifested will help locals better change any inappropriate measures that are affecting business performance.

The literature stream in the Middle East exposed this common theme in more than 20% of the literature reviewed. Al Hamadi et al. (2007) concluded that many ethical issues have to be considered when it comes to selecting and recruiting staff, these are related to equal pay, gender equality, and other benefits. A study within six organisations (private and public) in the sultanate of Oman was carried out in Sultan Qaboos University with a number of different industries to examine the influence of national factors on HRM policies and practices. Results showed that religion played an important part in the design and implementation of these policies. Furthermore, tribal allegiances exert an important influence on the success of the localisation process.

Forstenlechner (2010) conducted 25 interviews with HR Managers and Line managers involved in Emiritization initiatives and extended the work of Rees et al. (2007) who found management commitment to be a success factor of localisation. Employee management was a key concern of half the interviewees with both national and non-nationals citing catalogues of problems related to work ethics and attitude (unwillingness to wait for promotions, constantly being late for work, lack of discipline, and want shorter work hours, family influence for example). Forstenlechner et al. (2012) and Al-Waqfi & Forstenlechner (2014) continue this theme around barriers to localisation with regard to social and cultural values concluding that nationals find jobs in the private sector unattractive and can afford to wait for a government job. Al-Waqfi & Forstenlechner (2014) go on to state that cultural norms might not be compatible with what is needed for professional work in the private sector.

The researcher argues that the research in Middle East, China and PNG above can be expanded to any developing country on the work of Hofstede alone and considers cultural norms and an understanding of these as crucial in the decision making process and fundamental in deciding whether a subsidiary can succeed in some countries.

2.5.3.5 Local Subsidiary Response/Commitment

It can be argued that the ongoing commitment to localisation of local managers will lead to greater autonomy and result in a responsive local subsidiary in more ways than just the successful localisation of the business. Indeed, Yu (2005) identified three (3) clusters of MNC sub-groups from work carried out in Taiwan and from the sample, concluded that an 'active' subsidiary was highly integrated and had a high local responsiveness. This integration between parent and local subsidiary management is perceived by the researcher to be conducive to achieving collaborative localisation targets and is supported by other academics. Sadi & Buraey (2009) developed a structured and self-administered questionnaire which was distributed among 300 executives in the service sector in the Eastern Province of Saudi Arabia which was designed to measure work performance of their executives. They concluded that the perception of most managers about the Saudization policy was clearly positive indicating Saudization programs helps solve economic and social problems and ensures employment opportunities overall. These conclusions in some way support the work of Yu (2005) and Law et al. (2009) in as much as top management commitment (to localisation programs) is positively related to localisation success and localisation success can be linked back to a highly integrated parent/subsidiary business, albeit evidential in a Chinese and Middle East context.

Law et al. (2009), leading writers in the localisation field, in their work to identify the antecedents and consequences of localisation developed a hypothesis to test whether top management commitment to localisation inside the local firm is positively related to localisation success. They indicated that while a parent company may provide support and encourage a local subsidiary to localise; this does not necessarily mean that the local company was committed to localisation. They found consistent support of this hypothesis from a total of 229 questionnaires collected from top managers working in international companies

within China. They conclude that top management of the local company must be willing to commit to localisation as well as accepting the provisional help from the parent company. This paper does not consider the consequences should the business drivers not be clear to local management. Furthermore the localisation objectives measurement process may also be askew and commitment to deliver localisation targets may take second place to financial performance in some cases.

Rees et al. (2007) conducted a case study (Petroleum Company) and interviewed 12 senior managers with one objective being to gather their views about top manager's commitment to Emiritization? A number of the respondents questioned top management commitment to Emiritization despite the heavy financial commitment that these managers are making in the localisation programme. They further conclude that "In terms of practical implications, the findings highlight the need for top managers to demonstrate their commitment to nationalisation initiatives as convincingly as possible". This work in the UAE is supported by the findings of Law et al. (2009), however, when examined more closely, the researcher argues that the feedback from the interviewees in some cases implies that some top managers are paying 'lip-service' to localisation programmes.

More recent research in this area draw upon the theme of collaboration between the parent and local subsidiary in order to achieve the goal of successful localisation (Fryxell et al. 2004; Al-Lamki 2005; Forstenlechner 2010; Swailles et al. 2011). This research is relevant to UAE, Oman, and China. Al-Lamki (2005) uses an example from the banking sector to boast successful localisation through active collaboration between the government and the banking sector which the researcher interprets as a display to local manager's commitment to the localisation policy enforced. In the conclusions of work carried out by Fryxell et al. (2004) they state, through a two-way sense, that expatriate and local managers collaborate with each other to achieve the goals of the program and further draw upon the work of Harding (1998) who specifically mentioned endangering trust and transparency in this regard.

The researcher links this back to the work of Hailey (1996) who on the counter side argue that managing resentment between expatriates and locals is impeding successful localisation and moreso, the researcher argues that this is perhaps having a negative impact on the behaviours of the local managers who can become de-motivated and less committed to any localisation programs. The most current research undertaken by Forstenlechner (2010) expands the support of management commitment and collaboration and it was stressed by over 66% of senior managers interviewed in UAE that "…management commitment at all levels of nationals and expatriates needs to be ensured. Managers need not only be committed but must also be willing to convince others".

There is consistency in the views of academics in this area that the commitment of local managers is paramount in order to achieve successful localisation and lack of clear and targeted measures to foster a relationship between a parent and subsidiary organisation can truly impede successful localisation.

2.5.3.6 Summary

From the literature review, Figure 2.6 concludes the following Local Content barriers to localisation as an input to a conceptual framework.

Figure 2.6: Local Content Barriers to Localisation

C – Local Content

- Experience
- Quality of Qualifications
- Attitudes
- Poaching of Resources
- Cultural Values
- Local Subsidiary Response/Commitment
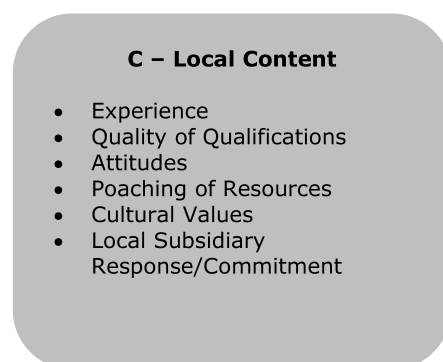
Source: Original

2.5.4 Strategic Behaviour

Nine sub-themes have been exposed from the review that is considered to be attributed to the strategic behaviour of the parent company organisation or local subsidiary. From table 2.3 it is found that this theme attracted a high interest with regard to 'HR strategic management commitment' of the parent organisation, the 'quality of the HR training programmes', 'salary and benefits', and the 'local content planning' or localisation strategy and the successful implementation of all of those within the company.

A key piece of literature was exposed which went some way in addressing the antecedents of successful localisation. This paper (Law et al. 2009) sampled 229 multinational enterprises in the People's Republic of China and investigated the antecedents of localisation success based on resource dependency theory (RDT). An important objective of this study was to investigate a theme in the localisation literature, which focuses on conditions facilitating successful localisation of MNEs. The study used a 40-item scale to measure HR practices determined to contribute to localisation success and it was the first study to find a significant relationship between localisation success and top management ratings of company performance. They go on to state that there is consistent support that localisation-related management arrangement and localisation-related practices contribute to the success of localisation. However top management of the local company must be willing commit to localisation as well, only then would a company be transformed into localisation-related HRM practices.

Previously, Law et al. (2004) tested the Wong and Law (1999) model explaining the localisation process and concluded (from survey of 139 JVs operating in China) that MNE's localisation objectives, planning and commitment and relevant HRM practices had significant impact on their localisation success. Selmer (2004) had previously argued that willingness of expatriate managers was a key determining factor to localisation success and this is discussed separately within this thesis.

A separate paper by Selmer (2004) identified selection, recruitment and retention of suitable local employees as key elements in successful localisation. Finally, Fryxell (2004) found that planning and selection of expatriates were the key determinants of localisation success.

Law et al. (2009) concluded that there were problems with all of these single source studies stating that none of these sought to explain the localisation process and its determining factors from a theoretical perspective. They also claimed most of the studies were fragmented claiming that Law et al. (2004) studied only four HRM practices as possible indicators of localisation success whilst Fryxell et al. (2004) and Selmer (2004) also used a limited number of indicators to localisation success within their work.

The researcher recognises that RDT is important given the nature of 'Oilco' and declaration that human resources are the only assets the company has, given that they are a major contractor in the oil the oil and gas industry. However, further argues that his work, and associated objectives, is to gather and structure these localisation barriers exposed from a number of different academics and to provide a holistic framework of all key localisation drivers and barriers. The researcher will extend these previous works in this area to the oil and gas context. This helps recognises the fragmented approach to date and fills a void in this respect.

Wong and Law (1999) developed a practical model for localisation of human resources and this is reproduced in Figure 2.7.

Figure 2.7: A Practical Model for Localizing of Human Resources
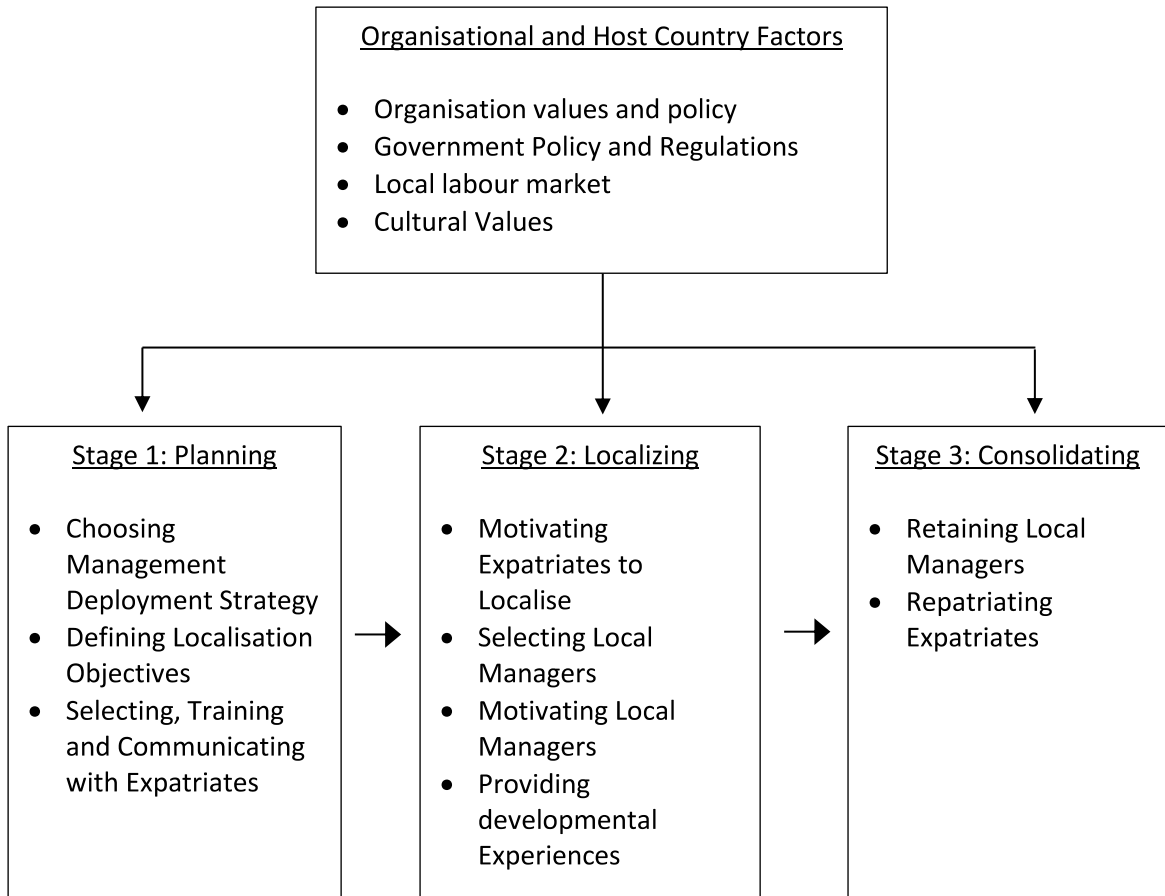
Source: Wong and Law (1999)

This model is based on the existing literature and focused on localisation, expatriation, repatriation and inpatriation and on in-depth interviews with CEOs or Human Resource Directors of six companies currently localizing their top management positions in the PRC. This model, although in the Chinese context, analyses localisation from the perspective of the HR function.

The researcher argues that this single perspective does not portray a comprehensive model perspective that will allow senior managers or executives to (quickly) understand all the factors (driver and barriers) that need to be considered during the decision making process prior to entry into a new country.

The model does however cover the themes exposed by other academics during the literature review which relate to the HR function; HQ Strategic Management Commitment, Quality of HR Training Programmes, Successful Implementation of Strategies, Local Content Planning, and Recruitment & Selection.

This particular stream of research extends to the Middle East where Randeree (2009) develops a general model for organisational implementation of a HRD for Emiritization. This model addresses three key areas; Career, Knowledge, and Recognition in an attempt to ensure adequate local content planning are in place to ensure successful localisation. The tools for HRM are addressed in detail in this paper although they are orientated at addressing the challenges and behaviour of Emiritization in the UAE but these are extendable to other parts of the Middle East, indeed the researcher argues that they are further extendable to other developing countries although experience in the oil and gas industry may require succession planning, the knowledge transfer between expatriate and locals, to be separated from strategic delivery success on the strength that succession planning continues to be a major challenge within the industry and as such an issue that merits attention in isolation.

More recently, Waqfi and Forstenlechner (2014) collected data from 32 senior managers and human resource professionals from various sectors of the economy and tables proposed measures to enhance the effectiveness of Emiritization. Interestingly, the highest percentage of respondents stated that a special department for career planning be put in place allied with an increase in investment for training, coaching and mentoring national employees which supports the current situation in the oil and gas industry and this still remains a key topic of discussion within the industry. Other academics (Swailles et al. 2011; Forstenlechner et al. 2012) provide further support that well-established HR strategies and implementation of these are crucial to the success of localisation.

The researcher considers that there is a need to refine and structure the numerous terminologies (from academics in this area) of barriers to localisation in order that senior managers and executives understand more clearly what the issues are and how to address these in their respective operational strategies. Perhaps gathering HR strategic management (commitment), successful

implementation of strategies, local content planning, and recruitment & selection under a single heading of 'Strategic Delivery Success' may simplify things without losing sight of the key barriers in this respect. However the researcher makes strong recommendations to address Succession Planning separately.

2.5.4.1 Quality of Services

There is a dearth of literature in this area to draw upon. However, Law et al. (2009) did investigate the relationship between localisation and firm performance. They could not argue that every local firm has better performance after localisation, however based on the RBV concept we can argue that performance of the local firm may be better if the local firm chooses to localise and is successful in the localisation process. Law et al. (2009) did not develop specific hypothesis on the relationship between localisation success and local firm performance but simply analysed data and sought preliminary results for future theory development. This research was specific to China.

The researcher recognises the lack of objective measures for any financial or technical performance and challenges whether any serious relationships between a firm's performance and localisation success could be established. For example – what is the basis used for successful localisation? Is it 100% in all job capsules or merely management? And how is quality and performance key performance indicators set in the process? Without any key measurement criteria then we remain in a purely subjective mode.

Lam & Yeung (2010) arguably extended the research in this area when examining the form of the localisation-performance relationship as moderated by environment uncertainty. It is not the intent of the researcher's work to discuss the concept of environmental uncertainty although Lam & Yeung (2010) work in this area, in the context of localisation levels, is a key reference given that the researcher is studying localisation barriers which could impede localisation success of an oil and gas services contractor in a developing country.

The findings of the study, conducted by questionnaire sent to 450 MNC subsidiaries throughout China, indicated that increasing localisation beyond moderate levels may be detrimental to organizational performance.

Lam & Yeung (2010) developed a graphical representation which found a curvilinear relationship between the degree of localisation and organisational performance. In summary, the negative effect of an increase in localisation beyond an optimal point is expected to be stronger under the condition of high uncertainty.

The researcher recognises that research in this area is limited to China but can see no immediate argument why this cannot be extended across different countries and also different industries given the generalistic context of the problem. In general, management skills are hard to find in emerging economies (Kobrin, 1988) and a higher degree of staff localisation may save on salary costs and perhaps enhance the goodwill in the host country.

However, MNCs need to carefully balance cost savings with that of quality and delivery of their services or product. Reducing the number of expatriates too quickly could impede knowledge transfer and localizing a local entity too quickly may be detrimental to quality. The researcher argues that the level of localisation of lower grade job positions may indeed happen fairly quickly with no adverse effect but localizing senior management positions may take longer due to higher skill set required. The research in this area to date does not adequately consider localisation of the entire operation of a local subsidiary.

2.5.4.2 Salary and Benefits

Around a quarter of the academic studies reviewed exposed salaries as a perceived barrier to localisation. The majority of this research originated in the Middle East (Al-Waqfi & Forstenlechner 2014; Forstenlechner et al. 2012; Toledo 2011; Swailles et al. 2011; Al-Dosary et al. 2005) and is more recently drawing on the argument that the gap in reservation wage is seen as a key challenge to Emiritization (Al-Waqfi & Forstenlechner 2014) and that this pay gap needs to be addressed for localisation to succeed. The researcher recognises that this issue may be geographical and as such restricted to the Middle East given that the public sector inherently pays more than the private sector in the Middle East. However, there is also 'Oilco' evidence that the oil and gas industry pays a more attractive salary for technically qualified local resources than the majority of the public sector management positions. Simply increasing pay levels in the private

sector in line with those in the public sector may jeopardise the efficiency and productivity of a private local subsidiary.

Hauser (2003) provides a more global perspective in describing the challenges faced with setting the starting point for salary and compensation-related-incentives and other bonuses, depending on the home and host locations. The problem with this research is it is expatriate biased and there is little literature to validate this problem in a local employee context although the researcher argues it carries just as much weighting and the issues may well be amplified given a relatively immature level of technical development in some developing countries and over-inflation of salaries in the private sector may lead to other potential conflicts with government/public sector employments.

2.5.4.3 Organisational Characteristics

Selmer (2003) studied staff localisation and organisation characteristics and how these could present barriers to localisation. This was an area seen as most important amongst emerging economies, especially for western business organisations that are aspiring to localise their management positions of local subsidiaries in China (Wong & Law 1999). There was evidence that the outcome of the localisation process to a larger extent may be due to the characteristics of the parent organisation that those of the organisation in China. The international experience of a parent corporation had a positive effect on localisation with staff localisation supporting the assumption that developing a strategic edge through the use of expatriates (Gamble 2000) may be less favourable for experienced corporations than those who have only recently entered the international business arena. Yu (2005), from research in Taiwan, supports the argument that different types of industries and their stages of internationalisation and degrees of localisation are the most important factors on the subsidiaries perceived activity satisfaction which is agued by the researcher as a positive influence on localisation. The researcher interprets from this research that relatively immature global businesses are more likely to struggle with the unknown if they rush in and try to set up local subsidiaries without first taking the time to understand the drivers and barriers to successful localisation.

2.5.4.4 Expatriate Itinerants

Banai and Harry (2005) present a case for the new breed of expatriate managers who are becoming more prevalent in MNCs. These are known as expatriate itinerants and their entrepreneurial approach can lead to a bias to self and not the company in which they are employed. A couple of disadvantages which can be construed as barriers to localisation include, (1) the itinerant's lack of knowledge of the parent company and therefore quality of knowledge transfer to a local is poor and their lack of the knowledge of political coalitions that influence important decision making within the business, and, (2) a MNC may have limited familiarity with the candidate international itinerant's skills and abilities. The researcher did not intend to explore a whole stream of research in this area but merely portrays a health warning that employing such resources within local subsidiaries of the business can be detrimental to the end goal of localisation.

2.5.4.5 Summary

From the literature review, Figure 2.8 concludes the following Strategic Behaviour barriers to localisation as an input to a conceptual framework.

Figure 2.8: Strategic Behaviour Barriers to Localisation

D - Strategic Behaviour

- Management Commitment
- Quality of Services
- Quality of HR Programmes
- Salary & Benefits
- Successful Strategy
- Organisation Characteristics
- Recruitment & Selection
- Local Content Planning
- Expatriate Itinerants

Source: Original

2.6 Gaps in Research

Table 2.4 summarises several gaps in current academia that are addressed in further primary research in this work. A description of these gaps and the associated link to the research objectives are clearly tabled.

Table 2.4: Research Gaps

#	Description	Link to Research Objectives
1	There is a lack of research on localisation of lead technical functions or engineering roles – current literature focuses on localisation of Senior Management Positions and exclude oil and gas industry context.	Objective 3: To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil & gas industry
2	There is a lack of research on levels of staff localisation versus a firm's performance, and no research found in the context of a private sector services organisation	Objective 5: To assess the key barriers that have a major impact on operational excellence, quality and delivery
3	There is no single research article that attempts to produce a composite model of drivers and barriers to localisation	Objective 1: To develop and validate a conceptual framework generated from the literature review Objective 2: To identify the 'localisation' critical success factors and barriers to increasing local content in the general context
4	There is no industry specific research which investigates: • The drivers to why an oil and gas services chooses to localise a subsidiary part of a business in a developing country? • The localisation barriers that an oil and gas services contractor must consider during their strategic decision making process	Objective 3: To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil & gas industry Objective 4: To investigate localisation drivers and their importance to the engineering services contractor industry
5	There is a lack of research which addresses barriers to localisation in the context of a nationals viewpoint, generally there is a bias towards expatriate views	Objective 3: To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil & gas industry

Source: Original

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Almost thirty (30) sub-themes or factors contributing to localisation drivers or barriers were exposed during the literature review and these were gathered from multiple countries across, mainly, the public sector industry, albeit current research exposed increasing research associated with the private sector. Although there are limited secondary references to the oil and gas industry, these are not considered to be in the correct context of this particular work.

The research is more abundant in relation to localisation of senior management roles, there is no academic references made in the context of lower technical functional roles or indeed lead engineer roles, both of which are considered key functional roles within an oil and gas services contractor's industry.

Localisation drivers and barriers are scattered across numerous academic journals and there is a myriad of author's definitions to contend with to understand the complexity in achieving successful localisation, or indeed why companies wish to localise. There is no single point of reference to go to that pulls these into a structured framework of factors.

There is limited research that addresses the percentage of local content versus operational excellence which is crucial to an oil and gas services contractor's survival in a highly competitive market where quality and performance are at the forefront of their delivery.

There is a bias towards the views of expatriates and much of the academic research to date has the expatriates view at its core. Given that the role of the national resource is fundamental in successfully localising a business subsidiary then there really needs to be balanced view to succeed in the goal of localisation.

2.7   Developing a Conceptual Framework

A theoretical framework is the foundation on which an entire research project is based and is described by Sekaran & Bougie (2010) as a logically developed, described, and elaborated network of associations among the variables deemed relevant to the problem situation and identified through such processes as interviews, observations and literature review.

The researcher draws upon his own experience and intuition to guide the development of a conceptual framework describing the localisation phenomenon and the interrelationship between the variables associated with localisation drivers and barriers discussed in the literature.

Sekaran & Bougie (2010) go on to state that it is not easy to come up with generally agreed-upon definitions of the relevant variables; this was evident during the literature review for this work where, and mentioned previously, several definitions and interpretations of variables from an HRD perspective were often used by different academics which could in some way confuse different industrial groups of managers. Well-chosen guiding definitions have been derived by the researcher based on his own experience in the oil and gas industry and indeed the private sector in an attempt to eradicate any inconsistency and allow the development of an interview guide based on these easily understood, and perceived recognisable, variables. This allows more direct responses from the 'elite' sample used in this thesis.

Numerous sub-themes, of drivers and barriers to localisation were identified during the literature review and the researcher further derived five (5) themes for these underpinning variables.

Sekaran & Bougie (2010) state the importance of describing why you have chosen a particular guiding definition or theme. These themes have been selected by the researcher through his own knowledge as a senior manager in the oil and gas industry and as an experienced observer whilst on location in a number of different countries where 'Oilco' has set up local subsidiaries of their operations.

They also provide some commonality and consistency between the different academic studies read during the literature review, and in summary provide easily understood homes to each of the perceived localisation drivers and barriers that are described in detail earlier in this section.

Table 2.5 defines these generated themes. These are described in more detail in the data analysis and discussion Chapter 4.

Table 2.5: Generated Themes

Theme	Researcher's Definition
Localisation Drivers	Relate to reasons why a corporate company may decide to localise a business entity in a new country
In-Country Knowledge	Relate to factors that consider a home country's subsidiary entities country, the people, real estate, and leadership therein
Governmental	Relate to factors that may be inherent in a countries governmental sector and may influence a corporate of local business entity to mould their operation in a way that may not be suitable for their company to deliver a quality or profitable business
Local Content	Relate to factors specific to the local resources (nationals) of the country in which a corporate company need to recognise and understand prior to setting up a business entity in a particular country
Strategic Behaviour	Relate to factors that are influenced by a corporate company either, prior to setting up an entity or, as part of the strategic decision making process prior to commencement of operations delivery in country

Source: Original

The resultant conceptual framework is derived from theory. Researchers who proceed without theory rarely conduct top-quality research and frequently find themselves in a quandary (Neuman 1994).

The researcher is not 'inventing' a new theory in this work, he attempts to expose, sometimes by an interpretive approach, variables associated with localisation drivers and barriers from a number of articles by leading academics in this field, and constructs the conceptual framework shown in Figure 2.9. This framework is used to link theory to this particular research prior to primary research being conducted in the context of this work.

Figure 2.9: A Conceptual Framework of Localisation Drivers and Barriers

Localisation Drivers

- Local Content Policies
- Cost Reduction
- Technical Development
- Corporate Strategy
- Cultural Alignment
- Local Market Knowledge

BARRIERS TO LOCALISATION

A – In Country Knowledge

- Local Labour Market
- Expatriate Attitudes/Failure
- Private Sector – Lack of Knowledge

B – Governmental

- Regulations & Attitudes
- Foreign Aid Policies
- Legal Framework

C – Local Content

- Experience
- Quality of Qualifications
- Attitudes
- Poaching of Resources
- Cultural Values
- Local Subsidiary Response/Commitment

D - Strategic Behaviour

- Management Commitment
- Quality of Services
- Quality of HR Programmes
- Salary & Benefits
- Successful Strategy
- Organisation Characteristics
- Recruitment & Selection
- Local Content Planning
- Expatriate Itinerants

Source: Original

CHAPTER THREE: RESEARCH METHODOLOGY

3.0   Methodology Introduction

This chapter introduces the design of this research, presenting a coherent and structured approach to the selection and implementation of the methodology most suited to establish a solution to the research problem discussed in the previous chapters. The chapter will discuss the series of appropriate steps designed and followed by the researcher which concludes a well-supported and acceptable methodology.

Neuman (1994) describes the process in the form of a sequence of steps which are followed for one research project. A researcher applies one cycle of the steps in a single project or a study on a specific topic. Each project or study in turn builds on prior research and contributes to a larger body of knowledge. These steps are shown in Figure 3.1.

Figure 3.1: Steps in the Research Process
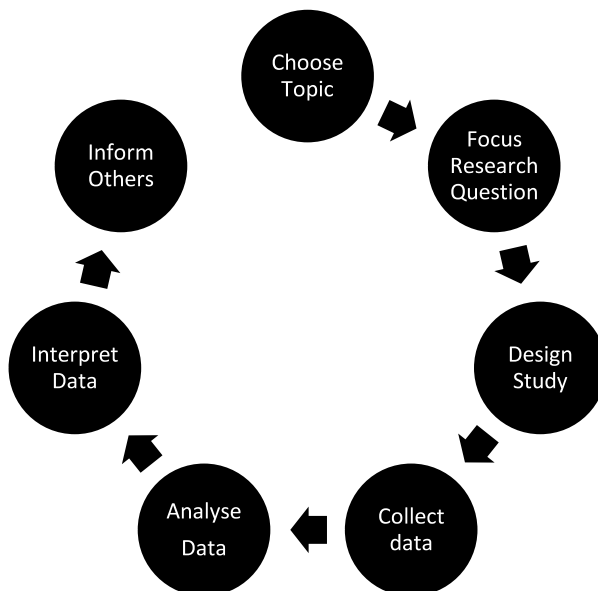
Source: Adopted from Neuman (1994)

In addition, a myriad of research in this field exists for the researcher to draw upon in developing a justification for a suitable methodology and generally chooses an adaption of the 'research onion' analogy (Saunders, Lewis and Thornhill 2015) to present a pictorial of the final methodology for this research at the end of this chapter.

3.1   Research – a Definition

According to the Oxford Dictionary, "research" can be defined as a systematic investigation into and study of materials and sources in order to establish facts and reach new conclusions. It can also be defined as "a set of principles and ideas that inform the design of a research study" (Mills and Birks 2014). Neuman (1994) describes research as quite simply, a way of going about finding answers to questions.

3.2   Research Design

The purpose and setting of the study and type of investigation play an important part in selecting the research design to be adopted. Other important aspects to be considered in this process include; sampling intent and how the data are to be analysed (Sekaran 1984).

The researcher has gathered the views on design techniques from a literature review of substantive texts written over the last four decades (Balian 1988; Sekaran 1984; Sproull 1988; Yin 1989; Leidner and Jarvenpaa 1993; Cohen and Manson 1994; Neuman 1994; Silverman 1998; Marshall and Rossman 1999) Dawson 2002; Sproull 2002; Mason 2005, Yin 2003; Laplan 2011; Richards 2011; Waters 2011; Sekaran and Bougie 2013; Mills and Birks 2014; Saunders et al. 2015; Harding 2013; Djebarni 2014).

This section discusses these design principles and techniques and concludes, by adaptation of Saunders et al. (2015) 'research onion' in the researcher's selected research design and methodology for this study.

Essentially there are two types of research known as, (1) Applied and, (2) Basic, which can be used in the business management or social sciences contexts.

One is to solve a current problem faced by the manager in the work setting, demanding a timely solution. Such research is called applied research (Sekaran and Bougie 2015). Applied research can be defined as the research conducted for the purposes of practical application, usually in response to a specific problem and the need for decision making.

Alternatively, basic research is conducted for the purpose of adding to general knowledge, usually not prompted by a specific problem (Sproull 2002).

The process is the same for both types, however, the method and strategies can differ extensively in delivering a particular research topic or in this case a DBA thesis. This will evolve through the chapter.

Basic (sometimes referred to as 'pure' or 'fundamental') research, on 'localisation', in the context as defined earlier in thesis, exists through many peer reviewed journals and it is through application of this knowledge that the researcher applies this to his own research questions and indeed as a prerequisite in solving a particular problem in the oil and gas Industry.

The researcher's investigation of factors that contribute to localisation can be classed as basic research and of course of great interest within this exploratory study, however, this research extends to factors or variables which influence localisation and how these are portrayed or perceived to impact localisation in the eyes of senior executives within a case studied entity. Of course this research is time-lined to achieve an academic goal and is constrained in other ways to meet intended budget and therefore a timely solution is needed.

Consequently, Applied Research is the type of business research adopted.

Recognising the need to complete this research within a timeframe and within a reasonable budget draws in additional factors such as the decision to engage external or internal consultants. This can be a costly decision and may result in a dilution of the key objectives and a possible misalignment between the primary researcher and any 3rd party. Indeed, Sekaran and Bougie (2015) state that Managers with knowledge of research have an advantage over those without. The researcher being a professional Manager in the oil and gas Industry and living/breathing localisation strategies, for over fifteen (15) years, in the

developing countries, whilst building on academic knowledge of localisation is well placed to conduct this research without any need for 3rd party consultants.

Before moving on, it is important to draw attention to Research Ethics given the nature of this research and the human element and subjectivity of social science or business research.

By definition, Ethical Research Practices are those practices and procedures that lead to: (1) protection of human and non-human subjects, (2) appropriate methodology, (3) inferences, conclusions and recommendations based on actual findings, and (4) complete and accurate research reports (Sproull 2002).

The researcher's intent is to protect any sample from physical and psychological harm and adequately considered this through development of confidentiality statements presented to, and signed off by, each interviewee prior to interviews being conducted.

In order to provide a coherent commentary with regard to the following sections, the researcher consistently refers back to the adapted 'research onion' originally developed by Saunders, Lewis and Thornhill (2015) but has adapted it to add an outer layer to capture the research types already discussed.

The model has been adapted by the researcher by labelling each layer with the headings only. This is intentional as the detail within each layer will be further examined by recognising other academics views on what techniques or strategies must be considered within each of the layers. This is a more comprehensive and contrasted approach in arriving at a fully supported methodology for this research. Each of these layers will now be discussed in some detail under the headings shown in the 'research onion' model Figure 3.2.

Figure 3.2: The Research Onion (Revised)
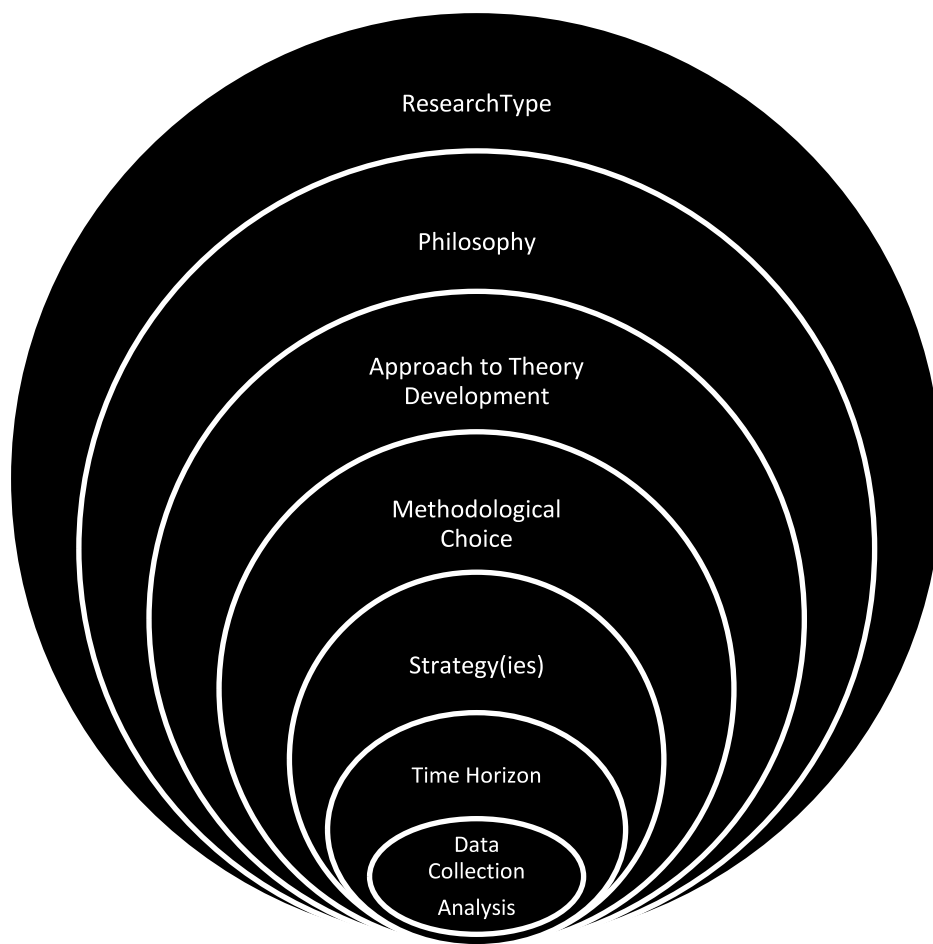
Source: Adapted from Saunders, Lewis and Thornhill (2015)

3.2.1 Philosophy

It is not intended to critically evaluate this specific area of study, however, it is important to recognise philosophical concepts and understand their relevance to this research and their applicability to this study given it is essentially qualitative in nature.

According to Mills and Birks (2014), philosophy can be defined in many ways but essentially it can be seen as the consideration of higher order problems and how we attempt to solve them.

Additionally it is important to examine philosophical concepts relative to qualitative research, at least from a high level to enable a relationship to be made between the research questions/or practical framework to the chosen methodology.

Most successful research studies in the qualitative paradigm are those that see alignment between the methodology and the philosophical position of the researcher (Mills and Birks 2014).

It is generally posited that quantitative research, mainly deductive in nature, is generally associated with Positivism whereas qualitative research is often associated with an Interpretivist philosophy (Denzin and Lincoln 2011) and mainly inductive which is explained, and compared, with the deductive approach later.

The early 18th and 19th century philosophical school of thoughts founded by Augustus Comte (1798-1857) enthused other classical theorists to favour objectionable research in measuring things about people through experiments, surveys and statistics.

Other philosophers such as Kant (1724-1804), Dilthey (1833-1911), Husserl (1859-1938), and Weber (1864-1920) recognised that human beings are not thoughtless and helpless; our actions are the product of our judgements, reasons and intentions. This approach to social science research is known as Interpretive.

Neuman (1994) provides a good summary of the long debated confusion in social sciences and explains three (3) approaches; Positivist, Interpretive, and Critical

Social Science views by organizing the assumptions of each of the approaches under a series of eight (8) questions.

The following Table 3.1 was generated by the researcher to gather key assumptions from the literature to compare views more closely with this particular localisation study. Each of the main points from the literature are gathered under the three (3) social science approaches and the final column is added to draw own conclusion and views and in doing so adopts the final position of the researcher in the context of the products of this research.

Table 3.1: Key Philosophies

Why should one conduct social scientific research?			
POSITIVIST	**INTERPRETIVE**	**CRITICAL**	**OWN**
Learn more how the world works so events can be controlled or predicted. Uses theory to identify characteristics that predicts an event, and then measures them precisely to verify the theory.	The purpose of research is to understand social life and discover how people construct social meaning. Wants to learn what is meaningful or relevant to people.	Conducts research to reveal the underlying mechanisms that account for social relations and to empower people. The purpose of research is to change the world	A need to understand and describe meaningful social action through interviews with senior subject matter experts in the industry. _Interpretive Research_

What is the fundamental nature of social reality?			
POSITIVIST	**INTERPRETIVE**	**CRITICAL**	**OWN**
Social and physical reality contains pre-existing regularities that can be discovered. In other words, the social reality is patterned and has order.	Unlike the physical world, the social world is not waiting to be discovered. Instead, human social life is an accomplishment, intentionally created out of purposeful actions of interacting social beings.	See social reality as constantly evolving over time, misleading on the surface, and generated by unobservable and enduring structures. Assumes that change is always happening.	Barriers to Localisation and the variables that influence the achievement of localisation are created by human interaction. _Interpretive Research_

What is the basic nature of human beings?			
POSITIVIST	**INTERPRETIVE**	**CRITICAL**	**OWN**
Humans are self-interested, pleasure seeking, rational individuals. People operate on the basis of external causes, with the same cause having the same effect on everyone.	Ordinary people create flexible systems of meaning through social interaction. They interpret their social world and make sense of their lives using such systems. What do people believe to be true?	People have a great deal of unrealised potential. People are creative, changeable and adaptive. Despite creativity & potential for change however, people can be misled, mistreated, and exploited by others.	Social beings bring meaning to the context of localisation in the particular research. _Interpretive Research_

What is the relationship between science and common sense?			
POSITIVIST	**INTERPRETIVE**	**CRITICAL**	**OWN**
Positivists see a clear separation between science and non-science. Of the many ways to seek truth, science is held up as special – the 'best' way. See common sense as inferior to science.	Argues that ordinary people use common sense to guide them in their daily life; therefore, in order to study people, one must first grasp common sense.	False consciousness means that people are fooled or mistaken and act against their own best interests as defined in objective reality.	To draw out common sense perceptions of localisation in the oil and gas industry services sector. _Interpretive Research_

What constitutes an explanation or theory of social reality?			
POSITIVIST	**INTERPRETIVE**	**CRITICAL**	**OWN**
Scientific explanation is nomothetic; it is based on universal laws. Science explains why social life is the way it us discovering casual laws. Positivism is based on determinism	Describes and interprets how people conduct their daily lives. It contains concepts and limited generalisations, but does not dramatically depart from the experience of the people being studied.	People are constrained by material conditions, cultural context and historical conditions in which they find themselves. Falls between determinism (Positivist) and Voluntarism (interpretive)	An inductive meaning system is generated broadly linked to generalisations and concepts of localisation. _Interpretive Research_

How does one determine whether an explanation is true or false?			
POSITIVIST	**INTERPRETIVE**	**CRITICAL**	**OWN**
Explanations of social life are true when they have no logical contradictions and are consistent with observed facts. Positivists evaluate a theory by using set procedures to test hypotheses.	For ISS a theory is true if it makes sense to those being studied and if it allows others to understand deeply or enter the reality of those being studied.	The goal is to supply people with a resource that helps them understand and change the world.	Will feel right to all those interviewed and to the researcher post coding and reduction during analysis. _Interpretive Research_

What does good evidence or factual information look like?			
POSITIVIST	**INTERPRETIVE**	**CRITICAL**	**OWN**
Observable facts and ideas or values are fundamentally separate. Empirical facts exist apart from personal ideas or thoughts. Good evidence in Positivism is observable, precise and independent.	ISS sees the unique features of specific contexts and meanings as essential for understanding social meaning. Sees the social world as made up of created meaning created by people.	Agrees that the world contains material conditions that are independent of perceptions but says that facts are not theory-neutral and requires interpretation within a framework of values.	Inductive theory from exhaustive interviews and reduction by coding during analysis and further grounding from social interactions. <u>Interpretive Research</u>

Where do social/political values enter into science?			
POSITIVIST	**INTERPRETIVE**	**CRITICAL**	**OWN**
Argues that sociology must be a value-free science and must be objective. Science is a special, distinctive part of society that should be free of values. Calls for abandoning values and operating in an apolitical environment.	Argues that researchers should reflect upon, re-examine, and analyse personal points of view and feelings as part of the process for studying others.	The critical approach has an activist orientation. It rejects positivist value freedom and attacks the ISS approach for its relativism and that nothing is absolute.	Subject matter experts/PEERs values are an integral part of social life. No subject matter expert's values are wrong – only different. <u>Interpretive Research</u>

Source: Original

It is derived from the table (shaded black) that Interpretative Social Science research is chosen as the adopted philosophical concept and this is representative of the philosophical beliefs of the researcher given his position in a chosen professional field and where innovative ideas and subjectivism is at the forefront of delivery.

3.2.2 Approach to Theory Development

The next layer to consider is the approach to the theory development and there are three (3) approaches discussed in detail under this section: (1) Deduction, (2) Induction, and (3) Abduction. Most of the main writers in the field of research develop talk about 'deduction' and 'induction', however, the third approach 'abduction' (Saunders, Lewis, and Thornhill 2015) is well supported, but visibly to a lesser extent although it is very relevant in this particular research study.

3.2.2.1 Deductive Research

A deductive approach moves from the general to the particular and in the case of this research study it has been adopted to draw out the key literature themes from a detailed review of literature that exists across four decades in the 'localisation' field.

Deductive research is sometimes characterised as testing theory by creating specific hypotheses and then using research to determine whether they are correct (De Vaus 2002).

Djebarni (2014) supports this characterisation and reasoning stating that our theory is often too general to be studied directly and it is therefore appropriate to forward a hypothesis. It describes exactly what we expect to happen in our study (Gill and Johnson 2010).

A theoretical review of the localisation literature was carried out to examine the body of theory that has accumulated in this field and this helped explain the emerging research problems. The review concludes in development of a theoretical framework from a detailed literature review which draws on a number of principles associated with this approach where the emphasis is placed on; scientific principles, moving from theory to data, and a highly structured approach.

3.2.2.2 Secondary Data

This study collected both primary and secondary data. Primary data refer to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study. Secondary data refer to information gathered from sources that already exist (Sekaran and Bougie 2013).

Figure 3.3 summarises the sources of the secondary data gathered prior and during the literature review and the main source or repository was the university library and online academic research databases.

PEER reviewed journals are valuable in as much as they have had adequate expert input to the content and are considered high quality and reliable resources. However, academic books are powerful in as much as they provide extensive and coherent overview of the subject matter.

Attendance at oil and gas conferences where local content topics were presented were also valuable in obtaining up to date views on localisation within the oil and gas services industry and these presentations were made available for this research study.

Figure 3.3: Secondary Research Repository Sources

Case Study Company Statistics – Known performance, size of engineering company, number resource, expat/local split, job capsule split etc.

Comparable Statistics –Relationship to primary company, engineering size, number resource, expat/local split, job capsule split etc.

Researcher's direct engagement with comparable companies

Governmental Drivers – Current laws and legal implications of local content demand. Oil and gas Ministry thinking.

Researcher's experience in Kazakhstan, Russia, Middle East and Africa

Developing Countries – Demographics Population size and distribution, Oil & gas sector and foreign investment opportunities (uncertainty)

Researcher's experience in Kazakhstan, Russia, Middle East and Africa

Experienced Observation – Researcher's knowledge of engineering project execution in Africa, Middle East, Russian and Caspian Regions including cultural interaction and performance

Researcher's Repositories
Hardcopy Documentation
A Critical View of Studies Spreadsheet
Localisation Literature Review Summary
Spreadsheet

Literature Review - Localization, in what context is it used in this research? What has been written globally? What is relevant? What has not been written and why? Who are the key authors in research field? Identify Drivers and Barriers and influential variables

Corporate Core Values – Strategic Behaviour of Parent What are they? Are they clear? Commitment etc.?

Format – Word, PDF, Powerpoint

Local Universities – Statistics Key universities and quality of engineering degrees, number of graduates per year etc.

Researcher personal sponsor and experience working with universities and lectures

Conferences – Industry Current Thinking Localisation and key speakers incentives and thinking

Researchers own experience and feedback at attended conferences and talks

Source: Original

To support the periphery of the study, the researcher called upon his own experience and professional position to gather valuable localisation statistics, and other relevant secondary data, such as local universities, from over fifteen years in developing countries where local subsidiaries had been set up to promote localisation of the workforce.

The advantage of seeking secondary data sources is savings in time and cost of acquiring information (Sekaran and Bougie 2013). Reliance of secondary data alone is rather risky as the information might have become obsolete or may not be valid in the particular setting of the study. Current and up to date data is important which resulted in a literature review that evolved over the entire study duration.

With reference to Figure 3.3, and in particular the literature review, the researcher made use of two data capture formats to make sense of, and to structure, the data collected and aid generation of the detailed literature review narrative. Firstly, a chronological critical review of studies spreadsheet was produced in Excel format which captured the following data shown in Table 3.2.

Table 3.2: Components of Critical Review

Components	Remarks
Researcher/Year	Sets Chronology
Theoretical Foundation	Ensures alignment with localisation in the correct context
Type of Study	Helps researcher identify progression of current research
Key Factors/Aspects	Main points of Paper
Methodology	Identifies techniques used to substantiate own work
Key Findings	Summary
Place	Geography of Work

Source: Original

This first (higher level) spreadsheet summary provided a reasonable level of detail to fully understand the logical progression of the academia from the 1980's through to present day gave some assurance that key writers in the field had been identified and themes were emerging from the secondary data. This spreadsheet is included as an Appendix 6 to the Thesis.

A second order spreadsheet took this data to the next level of interrogation and this was labelled a 'Localisation Literature Review Summary' Both spreadsheets were directly linked by Researcher and Year of publication, and a researcher's reference number, which enabled the required link back to the journals where the qualitative data used to build the summaries originated.

The main headers within this second order spreadsheet are included in Table 3.3.

Table 3.3: Components of literature Review Survey

Components	Remarks
Researcher/Year	Sets Chronology
Researcher Reference	Enables the researcher to manage the publication material and links accordingly
Drivers for Localisation	Exposed drivers as gathered from Literature Review publications
Barriers to Localisation	Exposed barriers as gathered from Literature Review publications
Model	Helps the researcher to understand what models exist in the field
Location	Geography of Work

Source: Original

This spreadsheet quite simply identifies associated drivers and barriers to localisation drawn from the literature repository and these variables are identified by an asterisk within the spreadsheet.

This second order summary or filter helps to support the development of the interview guide which is explained later in this section. This spreadsheet is included as an Appendix 5 to the Thesis.

3.2.2.3 Inductive Research

Alternatively an inductive approach begins with the particular and moves to the general. In the case of this research the approach starts with the developed theoretical framework as the result of the data collection over four decades.

Saunders et al. (2012), describes the inductive approach as lending itself to the collection of qualitative data, this is sometimes a cautious approach as there is some risk that people's perceptions may result in in no real patterns emerging from the data, and as a result no theory obtained and ultimately this could lead to the study folding. This is arguably an area of weakness when compared to the deductive approach where theory exists from the outset.

3.2.2.4 Primary Data

The majority of inductive research requires the collection of Primary data. Primary data unlike secondary data does not exist and must be sought by the researcher using either single, or multiple techniques. It is not the intention to describe how or indeed what, tools will be used to do this under this paragraph but to merely summarise what primary data is, and why this is relevant to this exploratory study.

Primary data refers to the data that the researcher will obtain first hand on the specific variables of localisation, whether barriers or indeed drivers. The primary data gathering process is explained in detail later in this methodology chapter.

3.2.2.5 Abductive Research

Alternatively, an abductive approach can be implemented; this is relevant to the researcher in this localisation exploratory study. Localisation is a field that is arguably well-trodden in some contexts and indeed some attempts have been made to construct theoretical models for testing.

However, localisation remains in its infancy in the context studied in this research where obvious gaps exist in relation to the localisation of an engineering workforce in the oil and gas industry. The intent is to build upon the theoretical models in the literature in arriving at a conceptual framework that can be applied to this research; an interview guide has been developed from this framework and the primary data gathered for inductive analysis.

The analysis of this data was input to an evolved framework, in addition to the researcher's own observations over a fifteen year international assignment. The framework lends itself to further data collection for validation through a small, but very relevant, senior management forum. An abductive approach moves back and forth, in effect combining deduction and induction (Suddaby 2006) and this more clearly maps the researcher's theoretical approach to this study.

In summary, there is a wealth of information in one context of localisation but nothing in the context of the researcher's work which allows the researcher to modify an existing theory. This draws an abductive approach to the study.

Table 3.4: Summary of Theoretical Approaches

Summary	Deduction	Induction	Abduction
Logic	In a deductive inference, when the premises are true, the conclusion must also be true	In an Inductive inference, known premises are used to generate untested conclusions	In an abductive inference, known premises are used to generate testable conclusions
Generalisability	Generalising from the general to the specific	Generalising from the specific to the general	Generalising from the interactions between the specific and the general
Use of Data	Data collection is used to evaluate propositions or hypotheses related to an existing theory	Data collection is used to explore a phenomenon, identify themes and patterns and create a conceptual framework	Data collection is used to explore a phenomenon, identify themes and patterns and create a conceptual framework and test this through subsequent data collection and so on
Theory	Theory falsification or verification	Theory generation and building	Theory generation or modification; incorporating existing theory where appropriate, to build new theory or modify existing theory

Source: Adapted from Saunders, M.N.K., Lewis, P. and Thornhill, A. (2012)

3.2.2.6 Comparison of Approaches versus Research Objectives

To demonstrate an alignment between the different approaches and how they relate to the research objectives in achieving the overall aim of the research, two tables have been developed.

These tables help link the theoretical approaches and types of data with each of the research objectives. Table 3.4 has been reproduced from Saunders et al. (2012) to provide a summary of approaches: deduction; induction; abduction. Table 3.5 has been developed to link these approaches to the objectives of this particular research.

Table 3.5: Research Objectives vs. Theoretical Approaches

AIM			Research Objective	Approach	Data Type
To explore the localisation phenomenon and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation		1	To develop and validate a conceptual framework generated from the literature review	Deductive	Secondary
		2	To identify the 'localisation' critical success factors and barriers to increasing local content in the general context	Deductive Inductive	Secondary Primary
		3	To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry	Inductive Abductive	Primary
		4	To investigate localisation drivers and their importance to the engineering services contractor industry	Abductive	Primary
		5	To assess the key barriers that have a major impact on operational excellence, quality and delivery	Abductive	Primary

Source: Original

3.2.3 Methodological Choice

There are essentially three types of evidence that may be collected from this business and management study; quantitative, qualitative, mixed. It is important to understand the differences to these methodological choices to allow a justified and supported application.

Qualitative evidence uses words to describe situations, individuals, and circumstances surrounding a phenomenon, while quantitative evidence uses numbers usually in the form of counts or measurements to attempt to give precision to a set of observations (Remenyi et al. 1998).

The relationship between quantitative and qualitative research can best be stated in the form of a model (Cochran & Dolan 1984), shown in Figure 3.4 This approach is supported by Gable (1994) who views qualitative and quantitative research techniques at opposite ends of a continuum.

Figure 3.4: Quantitative and Qualitative Relationship Model

Qualitative Research	Quantitative Research	Qualitative Research
Discovery: Generates hypothesis through observation, speculation, "eureka" dreams, insights	**Justification:** Collects data, tests, empirically, analyses results, give explanations, formalises	**Discovery:** Takes results of quantitative research and asks what, how, as well as why?
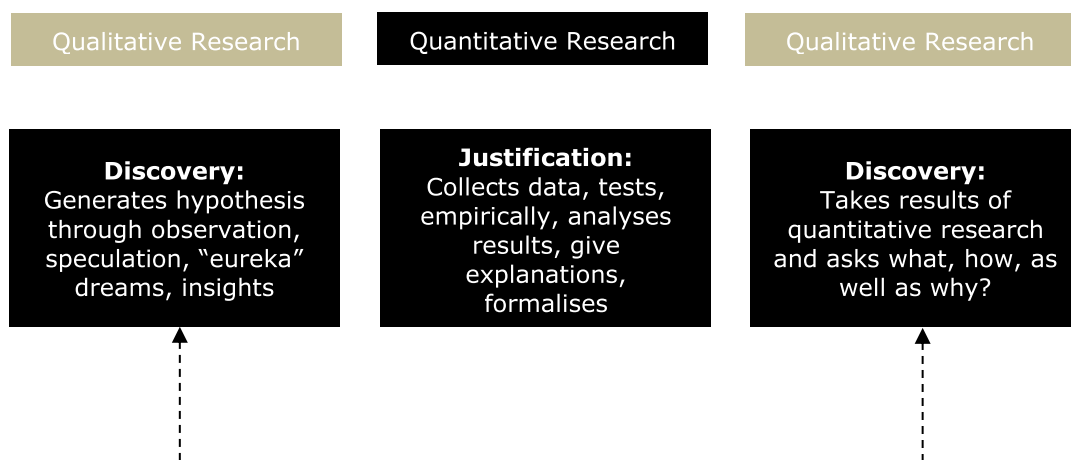
Source: Cochran & Dolan (1984)

3.2.3.1 Quantitative Research

Quantitative Research generally involves the gathering of large data samples for statistical analysis, the aim being that the results from such an analysis can be applied to the target population as a whole. This is a form of specific and precise research requiring accuracy of measurement and analysis and minimisation of incipient bias. It is mainly used to test a theory by testing individual hypothesis

and these hypotheses look for relationships between variables or concepts. Research analysis is performed by using statistics, tables or charts and is directly linked back to the hypotheses developed in the study (Balian 1982; Neuman 1997).

The theory of deduction and quantitative research are closely linked and this is supported by Neuman (1994) in his description of the deductive approach where you begin with an abstract, logical relationship among concepts, then move toward concrete empirical evidence.

A deductive approach and a positivist view are generally associated with quantitative research which only partly fits within an interpretivist philosophy (Saunders et al. 2012).

Quantifiable questionnaires or structured interviews are the primary data collection methods used in quantitative research. The choice of data collection methods depends on many governing factors which may include; time constraints to carry out the research, the accuracy of the data required, costs for the data gathering and of course the experience and knowledge of the researcher.

3.2.3.2 Qualitative Research

On the flip side, qualitative research is often associated with an interpretive philosophy (Denzin and Lincoln 2011) and is closely aligned to the researcher's strategy and supported in previous section 3.2.1. This research forms more of an inductive approach as described earlier because the researcher needs to make sense of the subjective and socially constructed meanings expressed around the localisation phenomenon as perceived by the sample of senior managers used in the study.

Qualitative Research involves the use of qualitative data such as interviews, documents, and experienced observation data, to understand and explain social phenomena. The motivation for doing mainly qualitative research, and less quantitative research, comes from the observation that, if there is one thing that distinguishes humans from the natural world, it is our ability to talk! (Myers 2002).

Indeed Kaplan & Maxwell (1994) argue that the goal of understanding a phenomenon from the point of view of the participants and its particular social and institutional context is largely lost when textual data is quantified.

Qualitative research is non-standardised when directly compared to quantitative and can use a variety of methods and these can evolve during the interactive study and the managerial position of the researcher provided a significant opportunity to gain physical access to the participants to deploy a single data collection technique via interviews; this is known as mono-method qualitative study (Saunders et. al 2016) and closely represents the strategy adopted in this study.

Table 3.6 sums up the differences in these two types of research, the table further supports why a qualitative research approach is the option chosen for this study.

Table 3.6: Differences between Qualitative and Quantitative Research

Quantitative	Qualitative
Test hypothesis that the researcher begins with	Capture and discover meaning once the researcher becomes immersed in the data
Concepts are in the form of distinct variables	Concepts are in the form of themes, motifs, generalisations, taxonomies
Measures are systematically created before data collection and are standardised	Measures are created in an adhoc manner and are often specific to the individual setting or researcher
Data are in the form of numbers from precise measurement	Data are in the form of words from documents, observations, transcripts
Theory is largely casual and is deductive	Theory can be casual or non-casual and is often inductive
Procedures are standard, and replication is assumed	Research procedures are particular, and replication is very rare
Analysis proceeds by using statistics, tables, or charts and discussing how what they show relates to hypotheses	Analysis proceeds by extracting themes or generalisations from evidence and organising data to present a coherent, consistent picture

Source: Adapted from Neuman (1994)

For completeness, although not a choice adopted for this study, the mixed method can be summarised as having advantages through adding a degree of flexibility through combination of questionnaires and interviews for example. In addition, it can be argued that through mixed methods there are more opportunities to answer the research question and allow triangulation of data to occur. However this method involves judgement and opinions (Saunders et al. 2012).

3.2.4 Research Strategy

The chosen strategy will fit into a particular design category and plan all the activities to answer the research question and close out all the associated objectives, these particular designs include; Historical, Experimental, and Non-Experimental.

3.2.4.1 Historical Design

Historical design combines theory with data collection. The data is usually mixed and can include information from newspapers, books, and other media in conjunction with other observations and interviews (Sproull 1988; Neuman 1994). The researcher examines aspects of social life across cultures in a past historical time. Historical research is usually descriptive although in some cases can be blended with exploratory or indeed explanatory research often categorised under non-experimental research design. Sproull (1988) defines historical design as a research design for which the data or physical artefacts already exist and thus cannot be changed or manipulated. The researcher has no control over how or when or with what instruments the data were collected. Historical design is the only method for studying the past and by this admission is not suitable for this localisation study.

3.2.4.2 Experimental Design

This type of research deliberately controls and manipulates the independent variables to have an effect on the dependent variables so that this effect can be measured and analysed. Experimental Design is most commonly used to study cause and effect relationships among variables and is arguably not ideally suited to business management type research such as this study. Experimental design is found in two forms; classic experimental and quasi-experimental, the former is

where the researcher has more control over the variables. Quasi-experimental can however be adopted where the classical (true) design is inappropriate (Balian 1982; Sekaran 1984).

3.2.4.3 Non-Experimental Design

In contrast, the majority of business research studies, including this localisation study, deploy a non-experimental approach and often involve multiple factors that can influence each other; a definitive cause and effect relationship is not possible to be established in such designs. In short, the researcher is interested in finding those factors that are directly associated with the research problem. Sekaran (1984) and Sproull (1988) describe non-experimental research design as being used when control over variables is not possible. Non-experimental research is categorised through, (1) Quantitative, and (2) Qualitative types of research, or indeed a combination of both known as (3) Mixed, which were described in section 3.2.3. It was concluded earlier that a qualitative approach is being used for this study.

3.2.4.4 Design Purpose

In deciding upon the type of study to be adopted it is important to understand the type of questions to be asked in gathering the primary data which meets the objectives of the study. The way a question is asked, generally leads to a particular type of study and depends on the stage to which knowledge of the subject matter has advanced. According to Sekaran and Bougie (2010), the design decisions become more rigorous as we proceed from the exploratory stage, where we attempt to explore new ideas of organisational research, to the descriptive stage, where we start to describe certain characteristics of a phenomenon, to the hypothesis stage, where we examine whether or not the conjectured relationships have been substantiated and an answer to the research question has been obtained. Four types of studies were compared to design a fit to the aims and objectives of this research including; exploratory, descriptive, explanatory, and evaluative. Indeed a combination of these can be chosen should mixed methods of quantitative and qualitative analysis be used. Table 3.7 summarises the key aspects of the study types reviewed through a review of texts (Sekaran and Bougie 2010; Saunders et al. 2016) and helped the researcher decide upon the study strategy early in the literature review process.

Table 3.7: Summary of Design Purposes

Design Chosen	Design Purpose	Key Criteria	Question Type
Non-Experimental	Exploratory	To discover what is happening and gain insights on a particular topic of interest. Used when not much is known about the situation at hand. To explore a phenomenon Used when some facts are known but more information is need to develop a theoretical framework Includes a search of the literature and generally unstructured interviews	What? How?
	Descriptive	To gain an accurate profile of events, persons, or situations Could be an extension of exploratory research Used to describe the characteristics of the variables of interest	Who? What? When? Where? How?
	Explanatory	Studies that establish casual relationships between variables or to study a situation or problem in order to explain the relationships between the variables	Why? How?
	Evaluative	To find out how something works. In the business management context this could be concerned with assessing the effectiveness or an organisation strategy, policy, programme, initiative, or process	How? To what extent?

Source: Original with material drawn from Sekaran and Bougie (2010); Saunders et al. (2016)

The objectives of this localisation study clearly fit an exploratory study and already determined as non-experimental research.

However, the study is attempting to gather insights on a particular topic (localisation) in relation to the oil and gas industry whilst exploring the localisation phenomenon in a different set of industries due to the sparse literature written around the former. Some facts are known and some models have been developed by the key writers in this field.

However none of which have been applied in the context of this research which will use both a theoretical framework and an interview guide almost entirely comprised of 'What' and 'How' type questions. This chosen design purpose: exploratory, fits an inductive/abductive approach in parallel with qualitative research which was supported earlier in the thesis. However the question set crosses some boundaries during the process that could be classed either explanatory or evaluative but this is very minimal.

Table 3.8 has been developed to link the alignment between design purpose and the study objectives.

Table 3.8: Research Objectives vs. Design Purpose

AIM		Research Objective	Approach	Chosen Design and Purpose
To explore the localisation phenomenon and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation	1	To develop and validate a conceptual framework generated from the literature review	Deductive	Non-Experimental **Exploratory** (Explanatory)
	2	To identify the 'localisation' critical success factors and barriers to increasing local content in the general context	Deductive Inductive	Non-Experimental **Exploratory** (Explanatory)
	3	To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry	Inductive Abductive	Non-Experimental **Exploratory** (Evaluative)
	4	To investigate localisation drivers and their importance to the engineering services contractor industry	Abductive	Non-Experimental **Exploratory** (Evaluative)
	5	To assess the key barriers that have a major impact on operational excellence, quality and delivery	Abductive	Non-Experimental **Exploratory** (Evaluative)

Source: Original

3.2.4.5 Different Research Strategies

In general terms, a strategy is a plan of action to achieve a goal. A research strategy may therefore be defined as a plan of how the researcher will go about answering his or her research question (Saunders et al. 2016). Denzin and Lincoln 2011) describe it as methodological link between your philosophy and subsequent choice of methods to collect and analyse data.

Paragraph 3.2.1 concluded an interpretive philosophical approach to this study. Mills & Birks (2014) puts forward a map of methodologies and describes Interpretivism as having one of the following qualitative methodologies:

- Ethnography – Knowledge of Culture
- Grounded theory – Knowledge of Process and Outcome
- Historical research – Knowledge of History
- Case study – Situated Knowledge
- Phenomenonology – Knowledge of Lived Experience
- Action research – Knowledge of process, Outcome and Change

These strategies are generally linked to qualitative research, or in some cases a blend of both qualitative and quantitative research. Saunders et al. (2016) bolsters the list adding experimental, survey, archival and documentary, and narrative enquiries research. Both 'experimental' and 'surveys' are principally and exclusively linked to quantitative research and it can be argued that both 'historical and 'archival and documentary' research are similar.

Figure 3.5 shows a continuum of research strategies posited by Djebarni (2014) and is a useful scale to understand where a particular research study sits with regard to the approaches discussed above. Of course there is significant crossover between different approaches but it generally helps the researcher to decide the bias between quantitative and qualitative approaches and the overarching philosophies.

Figure 3.5: Continuum of Research Strategies

Experiments	Quasi-Experiments	Surveys	Action Research	Ethnography
Deductive Approach				Inductive Approach
Positivist Approach				Phenomenonological Philosophy
More Quantitative				More Qualitative

Source: Djebarni, R. (2014)

This study does not adopt a quantitative approach and certainly a positivist philosophy for such an explorative study is disregarded on the grounds reasoned previously. At the other extreme of the continuum we find 'ethnography' which is used to study the culture or social world of a group. One of the disadvantages in this approach is the time needed to be on location to observe and gather information as a participant observer.

The researcher could argue that over fifteen years in developing countries living and sharing cultural values qualifies this type of research for the study. However, exploration of the localisation phenomenon is a pre-requisite to ensure gaps in the current research are identified and of course if any of the literature is relevant to the oil and gas industry or indeed the context in which is being used in this study. In addition, the time constraints for this study rule out both 'ethnography' and 'action research' strategies, although the latter would be useful emergent strategy for follow up research where the findings of this exploratory study could develop solutions to the case studies organisational problems through a participative and collaborative approach, which uses different forms of knowledge, and which will have implications for participants and the organisation beyond the research project (Coghlan 2011; Coghlan and Brannick 2014).

A 'narrative enquiry' is more of a coherent storytelling which normally follows a sequence of events and is not considered adaptable for this exploratory study given the need for random themes to be drawn from the interviews in forming an iterative analysis to support the localisation phenomenon which is a primary objective set by the researcher in reaching his aim. The specific needs of this research has gravitated towards a form of 'grounded theory' and paralleled 'case study' approach. This is founded on the requirement to explore a pre-determined localisation phenomenon in the context of the oil and gas industry and why it is important to engineering services contractors as part of an overall business strategy. These strategies we can explore further.

3.2.4.6 Grounded Theory

Grounded theory is "a qualitative research method that uses a systematic set of procedures to develop an inductively derived theory about a phenomenon" (Strauss and Corbin 1989). Grounded theory was developed by Glaser and Strauss (1967) as a response to the 'extreme positivism' of much social research at that time (Suddaby 2006). However by adopting interpretivism in social research 'reality' is seen as being socially constructed through the meanings that social actors ascribe to their experiences. The researcher concluded an interpretivist philosophical approach to his research and set out to further develop or support a theory that may be grounded in the primary data collected and uses theoretical explanations of social interactions and processes in the context of business and management.

The development of an interview guide started early in the journey, indeed on the back of the localisation literature review, and a corresponding interview guide was drafted from the thematic representation from the review. An obvious gap existed in as much as there was little, if any evidence, of the localisation phenomenon written that related to the oil and gas industry.

This is supported by Saunders et al. (2016) who stated that data collection may start as soon as the research idea has been developed and the initial research participants have agreed to take part, or the first set of documents has been identified. A commitment to this research idea was already in place which provides further support to this particular research strategy.

Grounded theory provided a systematic approach to collect and analyse the localisation phenomenon and supports the justification of a qualitative study discussed earlier in the methodology. Saunders et al. (2016) referred to grounded theory as taking an inductive approach, although it was more appropriate to think of it as abductive, moving between induction and deduction which further supports this choice of strategy. Through adoption of a 'grounded theory approach' in this study, the researcher set out to further develop a conceptual framework derived from a literature review through a series of interviews with high profile executives and managers within 'Oilco' to seek answers to the study objectives. The conceptual framework was then adjusted for future application within the oil and gas engineering services industry. It may be argued that new theory may not be generated to explain the localisation theory phenomenon. This approach has to be distinguished from grounded theory research (Birks and Mills, 2011). The key elements of grounded theory method which align (used in this study) and support the choice of this strategy are summarised in Table 3.9.

Table 3.9: Key Elements of Grounded Theory

#	Key Element	Used
1	Early commencement of data collection	Yes
2	Concurrent collection and analysis of data	Yes
3	Use of literature as a complimentary source to the categories and concepts emerging in the data, rather than as the source to categorise these data. Later use to review the place of the grounded theory in relation to existing published theories	Yes
4	Use of an abductive approach that seeks to gain insights to create new conceptual possibilities which are then examined	Yes
5	Developing codes and categories from the data as these are collected and analysed	Yes
6	Use of theoretical sampling and saturation aimed at building a theory rather than achieving (population) representativeness	Yes
7	Use of constant comparison and writing of self-memos to develop a conceptualisation and build a theory	Yes
8	Development of a theory that is grounded in data	Yes

Source: Adapted from Saunders et al. (2016)

The researcher did not intend to cover the practical application (steps 5-8 above) of the data collection and analysis methods underpinning the 'grounded theory approach' (steps 1-4 above) in these paragraphs; this is purposely described in a later section under data collection.

3.2.4.7 Case Study

A case study organisation 'Oilco' has been identified as part of the research strategy in order to address the research objectives and align ourselves to the need to recognise that some theory is already linked to the localisation phenomenon and a couple of conceptual models derived but these clearly sit outside the context of the oil and gas industry where no real literature exists to draw parallels with.

A case study is an empirical enquiry that, (1) investigates a contemporary phenomenon in depth and within its real life context, especially when, (2) the boundaries between phenomenon and context are not clearly evident (Yin, 2003).

The boundaries between the localisation phenomenon and the oil and gas context are clearly not evident and although a case study is deemed a secondary strategy to grounded theory research, it is critical in closing the research gap in this area through a targeted sample of very senior managers within one long-established engineering services contractor in the oil and gas sector.

Yin (2003) discusses six sources of evidence most commonly used in doing case studies. Documentation, archival records, and physical artefacts are dominant within the secondary research resources identified in Figure 3.3. This information was made available to the researcher through his own senior position within 'Oilco'. As an experienced observer during this entire duration of the DBA work, unlimited engagement with senior resources and indeed local engagements with the community has in most cases mitigated any data collection weaknesses as prescribed by Yin (2003) in Table 3.10. All of these collection techniques along with interviews have been used as justifiable sources of evidence adopting a case study approach.

Table 3.10: Six Sources of Evidence: Strengths and Weaknesses

Source of Evidence	Strengths	Weaknesses
Documentation	Stable - can be retrieved repeatedly. Unobtrusive – not created as a result of a case study. Exact – contains exact names, references, and details of an event. Broad coverage – long span of time, many events, and many settings.	Retrievability – can be low. Biased selectivity, if collection is incomplete. Reporting bias – reflects (unknown) bias of author. Access – may be deliberately blocked.
Archival Records	Same as above for Documentation. Precise and quantitative.	Same as above for Documentation. Accessibility due to privacy reasons,
Interviews	Targeted – focuses directly on case study topic. Insightful – provides perceived casual inferences.	Bias due to poorly constructed questions. Response bias. Inaccuracies due to poor recall. Reflexivity – interviewee gives what interviewer wants to hear.
Direct Observations	Reality – covers events in real time. Contextual – covers context of event.	Time-consuming. Selectivity – unless broad coverage. Reflexivity – event may proceed differently because it is being observed. Cost – hours needed by human observers.
Participant Observation	Same as above for direct observations. Insightful into interpersonal behaviour and motives.	Same as above for direct observations. Bias due to investigator's manipulation of events.
Physical Artefacts	Insightful into cultural features. Insightful into technical operations.	Selectivity. Availability.

Source: Yin (2003)

The interpretivist approach adopted in this study will work abductively to identify themes and patterns from the senior oil and gas manager's responses, through the grounded theory approach, and compare/contrast these back to the literature review in order to refine, generate and extend the localisation theory into the oil and gas environment. This type of approach is supported by Ridder et al. (2014).

One of the criticisms of a case study approach is their inability to produce generalisable contributions to knowledge, this being due to the small samples inherent in the process; this is captured in a review of literature by Flyvberg (2011). However, many works have countered this and the positivists view is slowly being overturned in favour of a more widely accepted qualitative and mixed research approach (Bansal and Corley 2011; Denzin and Lincoln 2011).

In the context of this study, the smaller sample is counterbalanced by a high quality sample of senior executives and managers and a generalisation of the localisation phenomenon already exists in the extant literature review.

We have already discussed the need for primarily an exploratory study, and by definition a qualitative and inductive approach; a case study sits well in this approach and is considered a robust parallel approach to grounded theory in as much as the sample, and subsequent interviews, will be deployed in a single organisation in a focused attempt to draw parallels with existing theories and models, and through thematic patterns extend or modify this theory within the engineering services sector of the oil and gas industry. This helps target closure of the research objectives shown below for consistency, and how the final elements of the chosen strategy align.

3.2.4.8 Experienced Observation

Referring back to Figure 3.3 which summarised a number of sources used by the researcher to gather secondary research, it is clear that this valid information be used in a positive and valuable input to achieve the objectives of this particular research. Arguably, the most valuable is the fifteen year's experienced observation, as part of the case study organisation, in some of the most demanding developing countries in the Caspian Region and Africa. Additionally, the demographics of these countries and the historical records of 'Oilco' allowed the researcher to generate some thoughts and frameworks, in the oil and gas

context, prior to undertaking the primary research. Relationships with the universities and attendances at key oil and gas conferences validated in some respect the perception of the localisation phenomenon and how to plan to localise an oil and gas subsidiary business.

This information should not be wasted and gives greater confidence in the research diagnosis. The researcher reflects on these experiences during data analysis and the concluding sections of this thesis.

To summarise the last three paragraphs and to maintain the consistency or structure within this section, a Table 3.11 has been developed that links the research objectives to the selected strategies.

Table 3.11: Research Objectives vs. Strategic Approach

AIM		Research Objective	Selected Strategy
To explore the localisation phenomenon and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation	1	To develop and validate a conceptual framework generated from the literature review	Grounded Theory
	2	To identify the 'localisation' critical success factors and barriers to increasing local content in the general context	Grounded Theory
	3	To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry	Grounded Theory Case Study
	4	To investigate localisation drivers and their importance to the engineering services contractor industry	Grounded Theory Case Study
	5	To assess the key barriers that have a major impact on operational excellence, quality and delivery	Grounded Theory Case Study

Source: Original

3.2.5 Time Horizon

As we approach the centre of the research onion we need to consider the time horizon of this research. Given that this particular study is part of a DBA journey then there are of course restrictions in both cost and duration of the work.

The approach for this particular academic work is considered 'cross-sectional' or a 'snap-shot' of the localisation phenomenon at a given point of time. In summary, interviews will be conducted over a short period of time.

A 'cross-sectional' study has its limitations when weighted against its counterpart 'longitudinal' studies which has the capacity to study change and development (Saunders et al. 2016).

3.2.6 Data Collection

By definition; Data collection method is the means by which information about variables is collected (Sproull 1995) which is locally translated to the means by which information about variables associated with the localisation phenomenon is collected during this study.

The preceding sections have concluded that this is an exploratory study adopting a mainly abductive approach implementing a 'grounded research' and 'case study' approach. Saunders et al. (2016) clearly states that semi-structured and in-depth interviews are used to gather data which are normally analysed qualitatively, for example as part of a case study or grounded theory strategy. There is clearly an alignment in this respect and the following paragraphs describe how the researcher adopts these data collection approaches in this localisation study.

Data and instrumentation are two different processes but explicitly linked in the collection methods. In the case of this study the process may be interviewing people and the instrument is the interviewing guide which was prepared on the back of the literature review and deployed to gather the data.

Sproull (1995) defines the interviewing method as a data collection method in which an interviewer questions people to solicit self-reports of their opinions, attitudes, values, beliefs, or behaviours. Interviewing is probably the most commonly used method in qualitative research (Mason 2005) and this further

supports this technique in this exploratory study. She goes on to state that it is not uncommon for a researcher to assume that their study will involve qualitative interviews, without spending time working out why it should, what they expect to get out of these methods, and whether any other methods might be appropriate or provide a useful complement. The researcher considered this in his evaluation process but clearly justified his approach previously in selection of the interviewing approach.

Table 3.12 summarises advantages and disadvantages of interviews regardless of what type of interviews are implemented they are of particular relevance in the decision making process.

Table 3.12: Interview Advantages, Disadvantages and Research Mitigations

Advantages	Disadvantages	Researchers Mitigations
Elicits information directly from people	Very costly because of the time required for each interview and the required training of the interviewers	Interviewer has experience in the interviewing technique and has access to key subjects within 'Oilco'
Allows opportunities for probing; finding out why people feel or respond the way they do	Less information can be gathered than by other methods because of the time requirements	Researcher's sample has been chosen to target an experienced and senior list of subjects
Allows opportunity to clarify information as it is given	Probability of inaccurate data because people may lie, omit information or use selective recall	Researcher has selected highly professional, respected, and skilled people in 'Oilco'
Allows opportunity to explain complex information	Possibility of inaccurate data because of interviewer bias or the interaction of interviewer and respondents	Researcher has chosen semi-structured interviews that allows the interviewer to ask questions with no attached emotion
Allows opportunity to clarify previously selected data		

Source: Original

A column is shown in the end column of the table which offers some mitigation to the disadvantages which are inherent in an interviewing method that helps substantiate the researcher's choice of the method. A highly professional and

experienced sample has been used in this study to ensure quality of the data sought for data to be analysed.

There are different kinds of interviews to consider and Table 3.13, as represented in Saunders et al. (2016) text summarises these quite well.

Table 3.13: Different Types of Interview for each Research Purpose

Type	Exploratory	Descriptive	Explanatory	Evaluative
Structured		XX	X	X
Semi-Structured	X		XX	XX
Unstructured	XX			X

Source: Saunders et al. (2016)

The table clearly supports the intent for either a semi-structured or unstructured interviews to be deployed in the study.

If you are planning a qualitative study, it is probably because you don't know what you will find. Qualitative methods seek surprises (Richards 2009). The purpose of this research requires the attitudes and opinions of individuals to be at the forefront of the data collection and it is therefore important to establish personal contact with the case study sample. Senior and key management persons were solicited to provide feedback to the localisation phenomenon in the oil and gas delivery context. People's views, understandings, interpretations, experiences, and interactions with the researcher are meaningful properties of the social reality of the research questions deployed through this study.

Interviews, arguably, should have a fluid and flexible structure to allow any unexpected themes to be drawn out, however, the degree of structure and flexibility is stifled a little in this study to balance any potential bias introduced by the interviewer and remove any emotion through asking different questions different ways to each of the interviewees. A semi-structured approach is therefore used in this study rather than unstructured interviews.

An unstructured interview is very similar to a natural conversation which begins with a single question and then conversation blossoms though further

questioning based on the former questions response. These are very useful when key themes are not already known and where a more structured approach may constrain the study (Harding 2013). However, key themes are already drawn from a localisation literature review which further supports a semi-structured approach to the questioning.

The study deliberately stays away from a structured interview method which is useful for a collection of quantitative data, where a defined set of questions are asked and responses recorded (Harding 2013).

Qualitative semi-structured interviewing through a face-to-face approach is preferred simply because the data needed for this contextual and exploratory study is not available in any other form, therefore asking people for their accounts and listening to them, face-to-face, is the only way to generate quality data. Semi-structured interviewing is characterised by having a list of themes and some key questions to cover which can vary with each interview. The order of questions differs dependent on the flow of the conversation or some questions may be omitted. The process may contain an interview schedule to prompt or open the discussion on a topic (Saunders et al. 2012).

The main advantage of face-to-face interviews is that the researcher can adapt the questions as necessary or clarify any doubts and ensure the responses are understood (Sekaran and Bougie 2010). This approach was followed in this study and the interview guide was revised several times during the process. The disadvantage is of course cost and gaining access to a quality sample. This has been mitigated through strong bonds with 'Oilco' and the ability to reach out to senior executives and managers in one location to gather quality data in the areas of interest.

Semi-structured interviews use open-ended questions which enable the participant to speak for a long period of time (Harding 2013) when answering the questions which assist in drawing out the key opinions, perceptions, and thoughts on the key themes identified in the localisation literature.

Designing a guide for an interview or a focus group is an important element of the preparation. The researcher should give thought to how the questions should

be asked, or topics to be raised, will contribute to answering the research questions, or indeed achieve the research objectives (Harding 2013).

Marshall and Rossman (1999) describe "Elite" interviewing as a specialised case of interviewing that focuses on a particular interviewee. Elite individuals are those considered to be most influential, prominent, and/or well informed people in an organisation or community; they are selected for interviews on the basis of their expertise in areas relevant to the research.

The researcher adopts this particular kind of interview after close consideration of his objectives, and in particular relevance to objectives 3, 4, and 5, which require responses in the context of oil and gas industry and the need to identify a particular 'kudos' from within 'Oilco' on which to solicit quality responses.

"Elites" are chosen by the researcher as they share a role model approach to social responsibility and over the years have reached the top of their profession and are respected individuals and more importantly play a significant part in developing localisation strategies within 'Oilco'. Additionally, the researcher has the advantage, though a senior position within 'Oilco', to gain access to these "elites" which in itself mitigates the concerns posited by Marshall and Rossman (1999) who state a disadvantage of this approach is classifying "elites" as somewhat elusive and busy people operating under demanding time constraints.

A reminder of the study objectives and alignment to the chosen data collection method is shown in Table 3.14 to help summarise to this point and ensure full alignment in the work.

Table 3.14: Research Objectives vs. Data Collection Methods

AIM		Research Objective	Data Collection Method
To explore the localisation phenomenon and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation	1	To develop and validate a conceptual framework generated from the literature review	Literature Review Secondary Research
	2	To identify the 'localisation' critical success factors and barriers to increasing local content in the general context	Interviews – face-to-face Semi-Structured
	3	To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry	Interviews – face-to-face Semi-Structured "Elite"
	4	To investigate localisation drivers and their importance to the engineering services contractor industry	Interviews – face-to-face Semi-Structured "Elite"
	5	To assess the key barriers that have a major impact on operational excellence, quality and delivery	Interviews – face-to-face Semi-Structured "Elite"

Source: Original

3.2.6.1 Interview Guide Planning and Development

Qualitative interviewing required a great deal of planning. Qualitative interviewers have to work hard on the structure and flow of the interview (Mason 2005). In the absence of an interview guide or a set of questions, the interviewer will have to 'think on his feet' and there is a risk of misalignment with the research objectives. The interview needs to yield the data needed to answer the research questions and close out the intended objectives.

Interview themes were derived from the localisation literature review conceptual framework to provide a sense of direction. We recall that a question type for an exploratory study normally contains 'What' or 'Why' and must generate situational knowledge in the context of the oil and gas industry. More importantly they need to focus more on lived experiences. The researcher met this intent in deriving an interview guide and mapped each of these questions with the associated research objective in Table 3.15.

Table 3.15: Interview Guide Questions

Research Objective		Interview Guide	
2	To identify the 'localisation' critical success factors and barriers to increasing local content in the general context	Q10	What is your understanding and importance of local content planning in the context of achieving localisation?
		Q12	Can you tell me about HR training programmes? Are they an important driver to the success of localisation?
		Q16	In your opinion, to what extent do salaries and benefits impact on localisation?
		Q18	What would you consider the main barriers to localisation within the local labour market?
		Q19	How would you think an organisations characteristics are important in achieving localisation?
		Q23	Describe what level of responsiveness is necessary within the local subsidiary to promote localisation and achieve targets?

Research Objective		Interview Guide	
3	To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry	Q8	In your opinion, do you think that local resources feel they have an awareness of the private sector and what is required regards skill sets to work in the industry?
		Q9	What effect do you think expatriate failure has on localisation?
		Q11	What is the impact of expatriate's attitudes on successful localisation, or otherwise?
		Q11a	Consider and frame your response to the above question in the context of a local's attitudes on successful localisation?
		Q13	How do you perceive the governmental policy and attitudes of the government in achieving localisation in both the private and public sectors?
		Q13a	What are your thoughts on whether the government is more influential on either the private or public sectors, or whether there is equal bias?
		Q15	What impact does the quality of an undergraduate degree have on employment of locals in (1) the public and (2) the private sectors?
		Q17	What are your views on 'poaching' of resources between competitors?
		Q20	Would you consider implementation of a business strategy important in achieving localisation of a subsidiary? How?
		Q21	Would you consider recruitment and selection as key components of the localisation process in both (1) local and (2) expatriate contexts?
		Q22	Is there a compelling need for foreign labour? Where?

Research Objective		Interview Guide	
4	To investigate localisation drivers and their importance to the engineering services contractor industry	Q1	In your opinion, what would you consider to be the main drivers in developing growth strategies for local subsidiaries?
		Q2	How do local government policies influence localisation?
		Q2a	What should a home country know about these policies prior to introducing a local subsidiary?
		Q3	Do you see cost reduction as the most important driver for localisation? Why?
		Q4	Do you consider technical development as a primary factor of localising a subsidiary of a home country's business? If so, why?
		Q5	What is Social Responsibility to you?
		Q5a	Do you consider this (Social Responsibility) an important factor during strategic decision making?
		Q6	What is the importance of market knowledge (indeed knowing what your competitors are doing) prior to setting up a local subsidiary?

Research Objective		Interview Guide	
5	To assess the key barriers that have a major impact on operational excellence, quality and delivery	Q7	How important are the cultural values in the host country in the context of a business entity's start-up and delivery?
		Q14	What are your thoughts on delivery and performance in relation to % of local content?

Source: Original

The interview guide was modified from the first interview and anything which seemed unclear to the interviewee, whether generalistic or indeed contextual was subject to a further review and a revised guide developed for the next interview. This iterative process developed to a final 'revision 3' cycle of the interview quide. The final version of the interview guide is included as Appendix 2 of this thesis.

The interview guide, through iteration, developed some probing questions which had a letter suffix attached to ensure a coherent flow which was deemed important to the researcher and helped reduced any bias which may be considered inherent should an interviewer ask questions in different tones and sequence to that intended for consistency. Each of the questions were designed as a deep-dive into situational experiences of the 'elites' in two regards (1) the localisation phenomenon – a generalistic view and, (2) the localisation phenomenon – deployment in 'Oilco'.

A pilot interview was carried out with a Business Development Director within 'Oilco' to not only decide whether the questions were clear and gathering the data needed, but also to get an indication of approximate time to complete the interview. Pilot interviews are useful for testing the validity and reliability of the questions (Saunders et al. 2012).

Harding (2013) states that the manner in which an interview begins will have a crucial impact on the quality of data collected. Given that the researcher had access to the senior executives and managers within the case study workspace and the use of interview rooms, the interviewers were relaxed and had some operational knowledge on the topics being discussed. This helped establish rapport and avoid a simple two-way conversation which would have been lengthy and perhaps not relevant and consistent with the desired objectives.

Open questions were used and carefully designed to ensure data collected were in the correct context for the study. The use of open questions allows participants to define or describe a situation or event and designed to encourage the interviewee to provide an extensive and developmental answer, and it can be used to reveal attitudes or obtain facts (Saunders et al. 2016).

A one-page interview protocol was developed which gave the interviewees some study background and why the interview was being conducted and this was sent with a copy of the interview guide to each of the interviewees when they had agreed to participate. The interviewee was asked, within the consent document, whether he/she agreed for the interview to be recorded and in all cases this was positive. The information sheet and consent form is included as Appendix 1 of this thesis.

It can be argued (Saunders et al. 2016) that audio recording may adversely affect the relationship between the interviewee and the interviewer (possibly 'focusing' on the audio-recorder rather that the interview process) and through recording, this may inhibit some interviewee responses and reduce reliability. However the opinion of the researcher is that the advantages of audio recording heavily outweigh the disadvantages of this technique.

3.2.6.2 Sampling

There are two (2) main methods of sampling; probability and non-probability and examples of these are shown in Table 3.16.

Table 3.16: Sampling Types

Probability	Non-Probability
Simple Random Sampling	Convenience Sampling
Complex Random Sampling	Purposive Judgement Sampling
Cluster Sampling	Snowball Sampling
	Quota Sampling

Source: Original

Djebarni (2014) defines sampling as the process of technique of selecting a suitable sample for the purpose of determining parameters or characteristics of the whole population. Probability sampling can be further characterised as the likelihood of each case being chosen from the population is known and normally equal for each case (Saunders et al. 2012). In non-probability sampling quite the reverse is common where elements don't have a pre-determined chance of being selected.

The type of information needed; time, availability and generalisability are the main determinants for selecting a sampling technique. In the case of this academic study, time takes precedence over generalisability; in addition, information is needed from specific targets – "elites". The selected sampling technique is therefore non-probability sampling.

It is known in advance that interviews will be conducted with "elite" members of 'Oilco' which directly opposes a probability sampling method. The intent was to solicit opinions from considered experts within 'Oilco' who have had exposure to the studied phenomenon – localisation, and indeed the application of local content in the delivery and impact on operational excellence.

It is known through this non-probability sampling approach that the findings from the study cannot be confidently generalised to the population. The intent is indeed to take a generalised view of the localisation phenomenon and explore its variables within the oil and gas engineering services industry concluding that probability sampling is not preferred.

Following a review of the non-probability designs described in Table 3.17, it was concluded that 'Judgement' sampling is appropriate to the study given that select executives had been solicited from 'Oilco' and this was based on their experience and likelihood that reliability of data allied with high quality assured the best outcome from the exploratory study.

Table 3.17: Non-Probability Sampling Designs

Sampling Design	Characteristics
Convenience Sampling	To obtain information from members of the population who are conveniently available to provide it
Purposive	To obtain information from specific target groups who are deemed the only ones to have it or conform to some criteria set by the researcher
Judgement	To obtain information from subjects who are most advantageously placed or in the best position to provide it
Quota (Purposive)	To collect information from a predetermined proportion of people sampled from different groups

Source: Adapted from Sekaran and Bougie (2010)

According to Waters (2011), it is recommended for research that the selected sample size be representative of the entire sampling frame. Given the nature of this exploratory study and the intent to target a well-established and reputable services contractor in the oil and gas industry and a select "elite" sample, then it can be argued that this population is small; the experience of the researcher, some 25 years with the case organisation and 30 years in oil and gas industry, though a senior position in the business has been able to target and secure interviews with high performing professionals to collect high quality qualitative data. These individuals are known and well-respected and have the highest level of knowledge in the company's strategic decision making and strategic approvals.

The individuals targeted carried a senior role within the business and had the appropriate level of international experience given the phenomenon being researched and belonged to an executive function, business development role, human resource management function, or had some influence over delivery strategies and how percentage of local content played a major role in the strategic decision making in the company.

This further cemented the need for a non-probability sampling design with a final choice of 'Judgement' sampling being deployed in this study.

The list of participants and some of their key characteristics to support the above has been included in Table 3.18.

Table 3.18: Study Participants

Interviewee	Position	Characteristics
Respondent 1	Business Development Director	Long-term employee of 'Oilco' and over 25 years' experience in oil and gas services contracting (including engineering) with substantial knowledge (international) in business strategies
Respondent 2	Chief Executive Officer (CEO)	CEO of 'Oilco' and the stalwart of the business and over 25 years in the oil and gas business. Core values role model. Exceptional knowledge of business growth strategies internationally
Respondent 3	Global Engineering Director	Over 25 years in the oil and gas industry and commitment to engineering delivery and assurance and ultimately delivering high-integrity solutions worldwide
Respondent 4	Engineering Director (Africa)	Long-term employee of 'Oilco' and over 30 years' experience in oil and gas services contracting (all functions) with substantial knowledge (international) in business strategies and execution plans
Respondent 5	Regional Growth Director	Long-term employee of 'Oilco' and over 40 years' experience in oil and gas services contracting (all functions) with substantial knowledge (international) in business strategies
Respondent 6	International Human Resource Manager	Manager of UK and African corporate People and Organisation team with international HR experience and input to growth strategies internationally
Respondent 7	UK and Africa Director	Long-term employee of 'Oilco' and over 25 years' experience in oil and gas services contracting (all functions) with substantial knowledge (international) in business strategies – member of board or Directors

Source: Original

3.2.7 Data Analysis

There is no one right way to do qualitative analysis; it is messy, iterative, unpredictable, and causes disquiet. It can be argued as one-off, aiming at validity rather than replicability. In summary, an analytical generalisability through theory building rather than generalising to a population through theory testing.

Data analysis can be described as the process of transforming raw data into conclusions and the researcher decided, at an early stage, which particular techniques would be adopted. This decision is based on the philosophical beliefs of the researcher, allied with a chosen design methodology and strategy that will achieve the objectives and answer the research questions posed in the study.

According to Miles and Huberman (1984), there are generally three (3) steps in qualitative data analysis; data reduction, data display, and the drawing of conclusions. This section deals with the former, and the methodology applied to data reduction. Data display and drawing of conclusions will evolve during the detailed data analysis section.

Sekaran and Bougie (2010) describe data reduction through coding and categorization. Coding is the analytic process through which the qualitative data that you have gathered are reduced, rearranged, and integrated to form query. The purpose of coding is to help you draw meaningful conclusions about the data.

There are many different examples of qualitative analysis to be considered but given the nature of this exploratory study, there will be some suited and those not so, to enable successful execution of the methodological intent.

Careful consideration has been given to the selection of analysis type to ensure it provides the reliability required given that the researcher has some pre-defined themes to explain the localisation phenomenon, as a result of a detailed literature review using deductive theory. These themes were constructed in a conceptual framework and an interview guide developed to assess these variables in the context of the oil and gas industry within the engineering services sector. This analysis, as pre-described, follows inductive/abductive

theory and of course has to satisfy the 'grounded theory approach' concluded earlier in the methodology. However, it is important to provide an overview of the other types of data analysis considered due to some obvious overlapping, and for completeness in this study.

The researcher finds Saunders et al. (2016) a useful umbrella that describes, in some detail, various analysis types and has summarised these, providing key characteristics from this text and other sources (Harding 2013; Mills and Birks 2014) for quick reference, in Table 3.19.

Table 3.19: Data Analysis Types and Characteristics

Type of Data Analysis	Characteristics
Thematic	The purpose is to search for themes, or patterns that occur across a data set. It is not tied to a particular philosophy. Standalone and not part of a theoretically mounted methodological approach
Template	Can be in the form of themes from literature or data. Not strictly inductive unless template is surfaced from the data. Standalone and not part of a theoretically mounted methodological approach
Explanation Building	The emphasis is on building (or predicting) and testing an explanation
Grounded Theory (Study Selection)	Part of a wider methodological approach. This is an emergent and systematic strategy
Narrative	Not a specific analytical technique, such as Thematic or Template. Not part of a theoretically mounted methodological approach as with Grounded Theory. A collection of approaches to analyse different aspects of narrative
Discourse	Focused on how individuals and groups use language in social settings. Study of the manner in which language is used to construct descriptions, stories and accounts
Content	Described by some as quantitative treatment of qualitative data. Underlying assumption is that more mentions equals greater importance

Source: Adapted from Saunders et al. (2016)

This exploratory study takes the interpretive philosophical approach as described earlier and follows a structured, coherent, and well supported methodological approach and as such any standalone analysis type (thematic and template) are disregarded, although in their own right could be applied as part of any triangulation strategy, if this was the preferred strategy. Thematic analysis would likely give the desired results but the researcher prefers an approach which is part of his theoretically mounted methodological approach.

Narrative analysis is disregarded as not really being an analytical technique, and as this study is not testing any theory then explanation building analysis is ruled out. Discourse analysis focuses more on, not what is being said, but how it is being said and this, although relevant, is not the primary objective in this study. Finally, content analysis is not considered due to its indirect congruence to quantitative analysis and is considered quantitative treatment of qualitative analysis.

The abductive analysis will therefore follow a 'grounded theory approach' as highlighted in figure 3.19. This does form part of the researcher's wider methodological approach and is an emergent and systematic strategy. It can be considered prescriptive because it sets out a number of tenets or elements that should be followed (Saunders et al. 2016).

The researcher commenced early collecting the primary data and set out to code data at an early stage in the study. Indeed the conceptual framework derived at the end of the literature review was a seamless stepping stone to coding of the first transcript. Through the use of constant comparison of subsequent transcripts with the literature review the researcher proceeded towards theoretical saturation and to the development of theory application in the context of the oil and gas industry services contractor delivery.

The exact nature of the grounded theory method procedures are varied between texts and it is not the intention to discuss individual academics (Bryant and Charmaz 2007; Charmaz 2006; Corbin and Strauss 2008; Glaser and Strauss 1967) views but to select a case that the researcher feels comfortable with. Strauss and Corbin (1998) prescribe the use; open coding, axial coding, and selective coding which is useful representation of a procedure to adopt in this

localisation study. This approach to grounded theory method is shown in Figure 3.6.

Figure 3.6: Sampling and Analysis
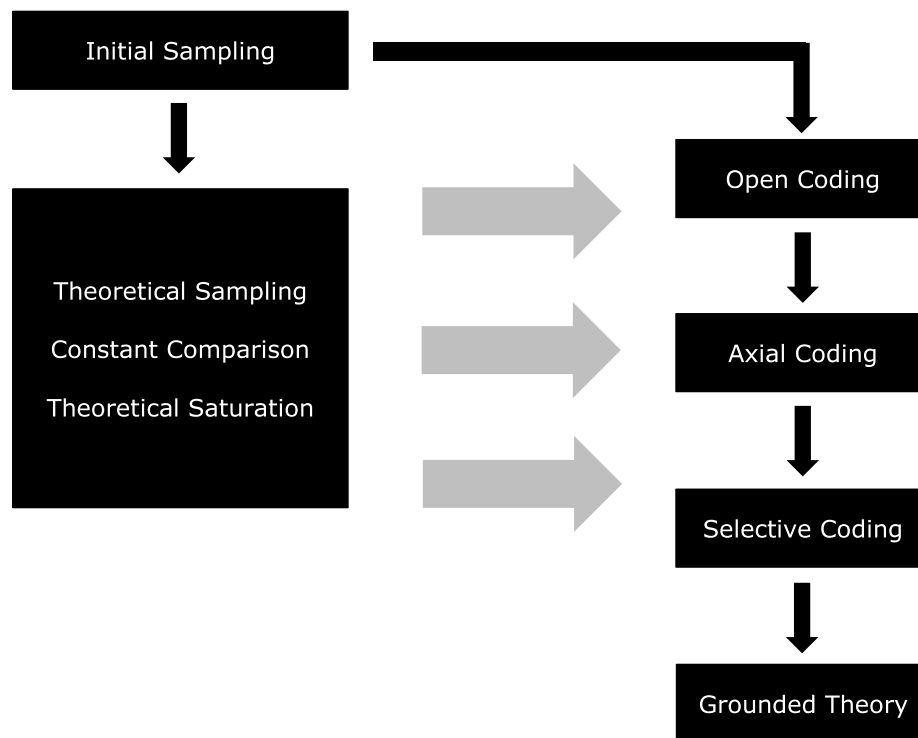
Source: Original

3.2.7.1 Open Coding

All the interviews were recorded and transcribed by the researcher and these are included in Appendix 3.1 to 3.7. These transcriptions were verbatim and each one had the name removed to provide anonymity to the person interviewed. The questions with responses were set out in chronological order under the appropriate headings however the majority of filler words were removed.

This data was then disaggregated into conceptual units and provided with a label (Saunders et al. 2016). The same label name was given to similar units of data as taken from the transcript. Traditional and evolved grounded theorists referred to this initial phase of coding as open coding (Mills and Birks 2014) and this is the first stage in grounded theory. This process started early in the study as interviews were completed and the full set of open codes from all interviews was derived as shown in Table 3.20.

Table 3.20: Open Coding

#	Code	#	Code	#	Code
001	Establishing Routes	049	Reputational Damage	097	Mentoring
002	Culture	050	Core Values	098	Lessons Learned
003	Local Government	051	Nationalisation Requirements	099	Held Back Development
004	Interactive Engagement	052	Not Just Numbers	100	Potentially Lucrative
005	Lack of Respect	053	Experience or getting Right Skillsets	101	Degree Levels
006	Local Front-End Commitment	054	Frustration	102	Off-Handed Expat
007	Celebrations & Religious Beliefs	055	Sanitised Western Company	103	Free-Market
008	Head-Hunting or Targeting	056	Quality & Delivery	104	Cheapest
009	Wealth Retained in Country	057	Corruption	105	Bad Practices

#	Code	#	Code	#	Code
010	Government Consistency	058	Focus of Government	106	Vast & Varied Policies
011	Industry Understanding	059	Private Sector	107	Public Sector
012	Forced	060	Timescale	108	Localisation Disaster
013	Learn (Recruitment)	061	Lack of Indigenous Skills	109	Badge of Honour (Degree)
014	Responsiveness	062	Localisation Slow Down	110	Competence
015	Advisory Committees	063	Understanding (Oil and Gas)	111	Human Resources
016	Behaviour	064	Gurus	112	Jealousy
017	Tribal	065	Ethic Groups	113	Honesty
018	Poaching	066	Blame	114	Gain Market Share
019	Supply & Demand	067	Resentment	115	Not Interested
020	Training Programmes	068	Established in Country	116	Entering (Country)
021	Social Responsibility Obligation	069	Benefit Packages	117	Lucrative Position
022	Willingness	070	Empathy	118	Safety Guarantee
023	Lack of Interest	071	Feel Proud	119	Prepared to Walk Away
024	Team Ethos	072	Strict Policies	120	Not Tolerant Enough
025	Modify Strategy	073	Developing or Potential Market	121	Tax Laws
026	Frighten Investors Away	074	Gain Respect	122	Acceptable Practice
027	Develop Local Content	075	Engage with Correct People	123	Maximise Localisation
028	Feel Part of Something	076	Develop into Higher Positions	124	Job Preservation
029	Failure	077	Training People	125	Communication
030	Listen to our Workers	078	Well-Established Policies	126	Get Pricing Right
031	Drive	079	Barrier to Entry	127	Over-Onerous
032	Strategic Decision Making	080	Career	128	Impress the Government

#	Code	#	Code	#	Code
033	Frightens Them	081	Recruitment & Selection	129	Small Market of People
034	Supply Chain Quality	082	Like Continuity	130	Knowledge
035	Awareness	083	Reward People	131	Bought into Localisation
036	Change Mindset	084	Competition or Competitors	132	Process Set-Up
037	Fed-Up	085	Development	133	The Right Thing to do
038	Come down from the Top	086	Maximise Potential	134	Pushed into a Corner
039	What Matters to Them (Local)	087	Money	135	Starting from Scratch
040	University Alignment	088	Type of People	136	Relationships
041	Engineering Delivery	089	Technical Knowledge	137	Business Success
042	Succession Planning	090	Business Strategy	138	Growth Opportunities (Market)
043	Rough Patches	091	Compromise Core Values	139	Key Differentiator
044	Cost Reduction	092	Hazardous	140	Easier (to do it myself)
045	Balance (Cost, Delivery, Performance)	093	Planning	141	Targets
046	Foreign Labour	094	Sustainability	142	Overseas Assignments
047	Tough Balance	095	Community Values	143	Help Environment
048	Education Programmes	096	Inflation	144	Positive Impact (On Communities)

Source: Original

3.2.7.2 Axial Coding

The next step of the process is to look for relationships between the categories of data that emerged from the open codes. This gradual abstraction of concepts which occurs in grounded theory is known as theory development and constructivists may classify this as 'focused' coding (Mills and Birks 2014).

The researcher from previous literature review had pre-determined core variables and as such, the often laborious task of open coding was arguably made simpler through a reasonable level of generalisable knowledge of the localisation phenomenon, and its considered variables.

Axial coding allows you to search for blends or combinations of categories, to find patterns in attitudes on the subject, to compare text at different levels, or see a category from a different viewpoint (Richards 2011).

The researcher at this point in the process referred back to the substantive literature review to re-acquaint himself with the general view of the variables linked to the localisation phenomenon and how the various academics perceived the relationships between them. This iterative process of looking back during the axial coding process helped further categorise the open codes but in the context of this study.

The essence of this approach is to explore the localisation phenomenon in a different environment (oil and gas services contractor delivery) through consideration of the inherent environmental, cultural, technological, political, and social factors. The conceptual framework developed at end of the literature review is a good 'go-by' but the bottom-up coding from the interviews, the primary research data, will detect the relationships between the contextual aspects, or categories and the analysis section that follows in this thesis will explain this.

From the above process, Table 3.21 is derived to gather the codes associated with the perceived barriers to localisation. The same process was followed to arrive at the interpretive list of localisation drivers using duplicated codes from the same table.

Table 3.21: Axial Coding

Geographical Location		Local Labour Market		Leadership Techniques	
033	Frightens Them	027	Develop Local Content	022	Willingness
039	What Matters to Them	034	Supply Chain Quality	024	Team Ethos
072	Strict Policies	082	Like Continuity	025	Modify Strategy
073	Developing or Potential Market	084	Competition or Competitors	028	Feel Part of Something
078	Well-Established Policies	086	Maximise Potential	030	Listen to our Workers
079	Barriers to Entry	087	Money	032	Strategic Decision Making
121	Tax Laws	126	Getting Pricing Right	038	Come from the Top
127	Over-Onerous	129	Small Market of People	070	Empathy
135	Starting from Scratch	130	Knowledge	071	Feel Proud
		132	Process Set-Up	074	Gain Respect
				075	Engage with Correct People
				076	Develop into Higher Positions
				083	Reward people
				118	Safety Guarantee
				119	Prepared to Walk Away
				120	Not Tolerant Enough
				122	Acceptable Practice
				123	Maximise Localisation
				125	Communication
				128	Impress the Government
				131	Bought into Localisation
				133	The Right Thing to do

Expatriate Adjustment		Local Universities		Language	
001	Establishing Roots	035	Awareness	085	Development
023	Lack of Interest	040	University Alignment	136	Relationships
029	Failure	080	Career		
031	Drive	088	Type of People		
036	Change Mindset				
037	Fed Up				
049	Reputational Damage				
115	Not Interested				
124	Job Preservation				
134	Pushed into a Corner				

Laws & Policies		Ethics		Conduct/Practices	
003	Local Government	057	Corruption	004	Interactive Engagement
011	Industry Understanding	058	Focus of Government	009	Wealth Retained in Country
026	Frighten Investors Away	105	Bad Practices	010	Government Consistency
051	Nationalisation Requirements	107	Public Sector	012	Forced
106	Vast & Varied Policies	108	Localisation Disaster	060	Timescale
				099	Held Back Development
Work Permits		**Not Used**		**Not Used**	
052	Not Just Numbers				
059	Private Sector				

Local Subsidiary Commitment		Cultural Dimensions/Values		Skills	
006	Local Front-End Commitment	002	Culture	013	Learn (Recruitment)
014	Responsiveness	007	Celebrations & Religious Beliefs	015	Advisory Committees
062	Localisation Slow-Down	055	Sanitised Western Company	019	Supply & Demand
		066	Blame	053	Experience or Getting Right Skillsets
		113	Honesty	061	Lack of Indigenous Skills
				063	Understanding (Oil & Gas)
				100	Potentially Lucrative
				110	Competence
Qualification Standard		**Attitudes & Behaviours**		**Ethnocentricity**	
101	Degree Levels	005	Lack of Respect	017	Tribal
109	Badge of Honour (Degree)	016	Behaviour	065	Ethic Groups
111	Human Resources	054	Frustration	067	Resentment
		064	Gurus		
		102	Off-Handed Expat		
		112	Jealousy		
Poaching		**Not Used**		**Not used**	
008	Head-Hunting or Targeting				
018	Poaching				
103	Free Market				
114	Gain Market Share				

	Core Values		Organisational Characteristics		Strategic Delivery Success
021	Social Responsibility Obligation	068	Established in Country	043	Rough Patches
050	Core Values	116	Entering (Country)	090	Business Strategy
144	Positive Impact (On Communities)	138	Growth Opportunities (Market)	091	Compromise Core values
				093	Planning
				137	Business Success
				139	Key Differentiator
	Salary & Benefits		**Social Responsibility**		**Succession Planning**
069	Benefits Packages	048	Education Programmes	020	Training Programmes
096	Inflation	094	Sustainability	042	Succession Planning
117	Lucrative Position	095	Community Values	077	Training People
		142	Overseas Assignments	081	Recruitment & Selection
		143	Help Environment	097	Mentoring
				141	Targets
	Quality & Delivery		**Not Used**		**Not used**
041	Engineering Delivery				
044	Cost Reduction				
045	Balance (Cost, Delivery, Performance)				
046	Foreign Labour				
047	Tough Balance				
057	Quality & Delivery				
089	Technical Knowledge				
092	Hazardous				
104	Cheapest				
140	Easier (to do it myself)				

Source: Original

3.2.7.3 Selective Coding

Strauss and Corbin (1998) suggest that after a lengthy period of data collection, you will have developed a number of principal categories and related sub-categories and the stage that follows is selective coding. Both traditionalists and constructivists call this theoretical coding (Mills and Birks 2014). At this point it is time to identify one core or principal activity in order to map the others to it. This is the point to integrate the research. The previous stage mapped the open codes to the categories and sub categories and this stage we start to recognise and develop these relationships between the principal categories that have emerged from the grounded research in order to develop an explanatory theory (Saunders et al. 2016).

The themes drawn from this stage were compared and contrasted with the conceptual framework derived from the literature review on a frequent basis to ensure some coherency and alignment in the process and this helps the researcher with any pre-analysis reporting style and presentation of the research which follows in the thesis.

From the above process, Table 3.22 is derived to present the themes and underpinning codes from previous axial coding. These themes are central to the research study.

Table 3.22: Selective Coding

Localisation Drivers
• Core values
• Market Potential
• Technical Development
• Governmental Policies
• Cost Reduction

A – In-Country Knowledge - Barriers

- Geographical Location
- Local Labour Market
- Leadership Technique
- Expatriate Adjustment
- Local Universities
- Language

B – Governmental - Barriers

- Laws and Policies
- Ethics
- Conduct/Practices
- Work Permits

C – Local Content - Barriers

- Local Subsidiary Commitment
- Cultural Dimensions/Values
- Skills
- Qualification Standard
- Attitudes and Behaviours
- Ethnocentricity
- Poaching

D – Strategic Behaviour - Barriers

- Core Values
- Organisational Characteristics
- Strategic Delivery Success
- Salary and Benefits
- Social Responsibility
- Succession Planning
- Quality and Delivery

Source: Original

3.2.7.4 Reliability and Validity

It is important that the conclusions drawn through the analysis are verified in one way or another. Are they valid, reliable, and could they be replicated by someone else using the same method. This research follows a strict protocol from start to finish and there are various checkpoints throughout this chapter to ensure the aim and objectives are fully aligned with the interview quide and that the responses are coded adequately and themes drawn that answer the intent of the research.

Validity and Reliability in the qualitative world have different meanings with validity referring to the extent the research results (1) accurately represent the collected data (internal validity) and (2) can be generalised or transferred to other contexts or settings (external validity) (Sekaran and Bougie 2010).

This study used interviews following a review of other methods and how these were suited to this research. A review of the localisation literature revealed that the majority of the methods used to gather data were from interviews therefore this seemed a valid choice to adopt. However, the sampling techniques varied quite considerably, the sample of "elites" in this particular research helps provide a quality of data that through other types of sampling may not have been possible in the academic timeframe, or indeed have answered the contextual questions posed.

The intent of this research was not to specifically transfer the research to other contexts or settings but the rigorous approach to the study has helped build upon the generalisable variables of the localisation variables which will be useful to other academics in future research. The revised conceptual framework is also a good grounding for future research within the oil and gas industry and through the robust methodological and supported approach can be replicated in similar delivery functions and used in a global oil and gas context.

Harding (2013) refers to validity as relating to the degree in which the research findings are correctly grounded in the data. Mills and Birks (2014) posit that grounded theory research is dependent on the researcher demonstrating rigour through the use of techniques including demonstrating an ability to conduct the research, ensuring philosophical and methodological alignment, and the correct

application of essential grounded research methods. The researcher recognises and complies throughout this methodological chapter of the thesis in providing a structured and coherent narrative and as such a reliable set of processes in his decision making. A hard copy audit trail of all materials used including highlighted transcripts that align to the open/axial coding underpin this thesis although not provided due to abundant nature of the documents.

3.3 Summary of Research Design

The researcher wraps up this chapter by referring back to the Saunders, Lewis and Thornhill (2016) research onion where the journey started back in section 3.2. The final methodology is described holistically in Figure 3.7.

Figure 3.7: The Study Research Approach
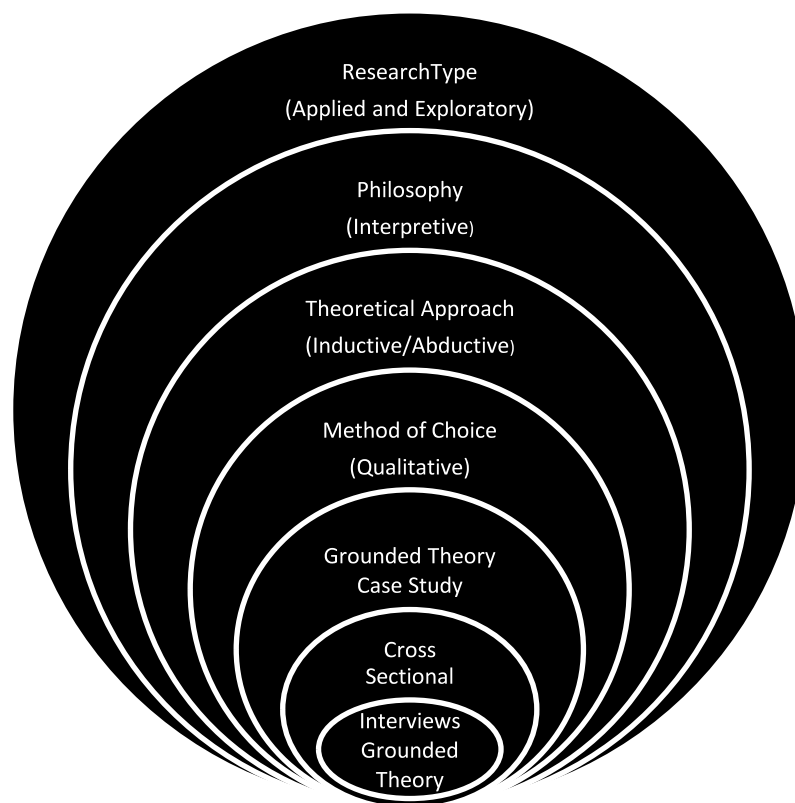
Source: Adapted with changes from Saunders, Lewis and Thornhill (2016)

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF THE FINDINGS

4.0   Introduction to Data Analysis

This chapter presents a detailed analysis and discussion of the primary data collected from the 'Elite' individuals from 'Oilco' who are a leading incumbent in the oil and gas services contracting industry. Using the qualitative methods described in chapter 3, this research addressed the following five objectives.

1. To develop and validate a conceptual framework generated from the literature review;

2. To identify the 'localisation' critical success factors and barriers to increasing local content in the general context;

3. To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas services contractor industry;

4. To investigate localisation drivers and there importance to engineering services contractors in the oil and gas industry;

5. To assess the key barriers that have a major impact on operational excellence, quality and delivery.

Localisation research in the oil and gas engineering services industry is scarce, and through coding (open, axial, and selective) and a process of constant comparisons of data across all seven interview transcripts, themes could be drawn, interpreted, and compared/contrasted with the conceptual framework from the literature review.

Additionally, the researcher provides supported individual thoughts during these arguments based on his own experience in the oil and gas services industry, and in particular the start-up of new business subsidiaries in developing countries, where the localisation phenomenon is an important aspect in quality and performance of the business. This analysis validated several aspects of the conceptual framework and teased out the importance of localisation within the oil

and gas engineering services organisation whilst identifying other emerging factors in the process.

Four main themes, the perceived barriers, along with the perceived drivers for localisation in the oil and gas services industry were drawn from the analysis and these were concluded and presented in Table 3.22 in the preceding chapter. The key themes are underpinned by sub-themes derived directly from the interview transcripts.

The researcher did not prescribe the perceived drivers to localisation, as drawn from the literature review, and when designing the interview guide the questions were left open and flexible enough to gather data on both perceived drivers and barriers. Furthermore the design encouraged some overlapping between questions, drawing data that could be used constructively during the analysis against a single, or multiple themes. This optimised the interview guide used in the research.

There were a total of twenty-three (23) questions posed with some probing questions in some cases to draw out the individual's view on the drivers and barriers to localisation in the context of the oil and gas services contractor industry. The main objective of the research is to draw out the barriers and drivers that have an influence in the oil and gas services contractor context and as such this section analyses and discusses why they are considered influential by the senior management and executives within 'Oilco'.

Five tables of qualitative analysis for the perceived drivers and barriers themes generated were developed to summarise important quotes from the interview transcripts which helped the researcher provide a detailed discussion throughout this section. These tables are included in Appendix 4.1 to 4.5 of this thesis.

Each of these themes are presented, analysed, and discussed in this chapter. The chapter opens up with a discussion on the perceived drivers followed by a subsequent discussion on the perceived barriers to localisation.

4.1 Localisation Drivers

The data collected drew evidence and perception regards the drivers to localisation in the context of the oil and gas services contractor's industry. This type of industry is highly competitive and there is always a need to drive down costs to become more competitive and the safety of people and the oil and gas assets, including the environment, is paramount to success and reputation. It is no surprise that 'Oilco' exhibits a strong set of core values, one of which is Social Responsibility, and the need to promote the nationalisation of subsidiary businesses in any of the countries in which she operates.

In identifying the perceived localisation drivers and why they are important to an oil and gas industry services contractor (research objective 4), this particular theme was constructed from pertinent data fed back through questions 1, 2, 3, 4, 5, and 6 in conjunction with overlapped responses that were derived from interpretation of the questions constructed around localisation barriers.

Table 4.1: Responses – Localisation Drivers

Respondent	Core Values	Government Drivers	Cost Reduction	Technical Development	Potential Market
1	High	Low	Medium	High	
2	High	Medium	Low	Medium	High
3	Medium	High	Low	High	
4	Medium	Low	Medium	Low	High
5	Medium	Medium	Low	Medium	
6	Medium	Medium	Low	Medium	High
7	High	Medium	Medium	Medium	High
Scoring	17	13	10	15	12

Source: Original

Table 4.1 summarises the conclusions drawn from the interviews which will allow a quick comparison and contrast with the themes exposed from the literature review. The researcher has provided a simple scoring based on the responses where, (1) 'high' represents a factor that the respondent found key, or primary; (2) 'medium' represents a factor that respondent thinks is important but may not be the primary reason why and, (3) 'low' represents a factor that the respondent perceives is a driver but of secondary importance.

The 'simple' scoring system introduced by the researcher depicts which is considered the most important numerically, given that 'high' scores 3 points, 'medium' scores 2 points, and 'low' scores 1 point. This is of course skewed in as much that there were no valid responses from respondent 1, 3, and 5 under the factor 'Potential Market', however, by providing a weighting to number of responses, then the most important factors that were derived from the oil and gas executives responses are found to be (1) Core values; (2) Potential Market. The researcher provides the following discussion.

The following were the drivers exposed from the interviews that were perceived by the senior oil and gas executives the reasons why 'Oilco' were localising their subsidiaries in each of the countries they entered. These are listed in order of perceived importance from the 'simple' scoring system adopted.

- Core Values
- Technical Development
- Government Drivers
- Potential Market
- Cost Reduction

When compared to the literature review summary table, Appendix 5, there was some overlap as might be expected and the themes drawn from the literature review can be summarised below.

- Local Content Policies
- Cost Reduction
- Technical Development
- Corporate Strategy
- Cultural Alignment
- Local Market Knowledge

Table 4.2: Perceived Drivers Comparison Table

Primary Research (Interviews)	Secondary Research (Literature Review)
	Corporate Strategy
Core Values	
Technical Development	Technical Development Cultural Alignment
Government Drivers	Local Content Policies
Potential Market	Local Market Knowledge
Cost Reduction	Cost Reduction

Source: Original

Table 4.2 has been developed by the researcher to quickly understand where the literature has been validated in some respects. The table also shows where the researcher considers the drivers from primary and secondary research align. For example it can be seen that the researcher considers that 'cultural alignment' is closely related to the 'technical development' of a local resource base; this is described in more detail in the chapters that follow. Additionally, 'local market knowledge' in the context of oil and gas industry is indirectly related in some form to the context of 'potential market'. The researcher argues that 'corporate strategy', which was identified from the literature review as a driver, could comprise of all of the drivers in a composite form and as such there was no

evidence of this drawn from the primary research interviews concluded. On the other hand 'core values' was an emotive theme drawn from the oil and gas executive's interviews which was not drawn out of the literature review.

From Table 4.1 and the 'simple' scoring system there is strong support that 'Core Values' are at the forefront of the 'Oilco' delivery strategy as a driver to localisation. It is argued and justified in section 4.5.1 that aspects of the core values can also be a compelling barrier to localisation. Core values go beyond 'social responsibility' although this of course plays an important part of the seven core values of 'Oilco'.

Respondent 1	*"From the Oilco's perspective, part of their values is community and people so you know it increases the local opportunities in the local communities as well"*
Respondent 2	*"Absolutely, it is. (driver to localisation) Actually, because our core values do talk about employing local people wherever we can. So I think, for us, it's so important that we've built it into our core values…So it's not doing good for the sake of doing good; it's doing good for the sake of sustainable business. It makes sense. That's why I would do it"*
Respondent 3	*"Secondary reason is the fact we have a core value which includes localisation and we want to have more and more people from that region doing the work as it states in our core value"*
Respondent 7	*"I actually think the most important factor is we have a responsibility when we go into a country to build the capacity and capability"*

This compelling collection of primary data in the oil and gas services industry recognises this as the main, and *emerging,* driver within 'Oilco' for localising the business.

From the primary research interviews, 'Technical Development' was considered as the next important driver. It could be argued that this could be covered under core values of 'Oilco'. However, given the emotion and importance of this factor, and the argument that different organisations have different core values then it deserves special attention as a standalone factor. From Table 4.1, all respondents commented on this as being a driver for localising. It can also be a perceived barrier to localisation which will be found in section 4.5.6 of this analysis and discussion.

Over twenty (20) published articles from the literature review exposed this theme as a significant driver to localisation. This research was concluded across a number of countries including; US, Kenya, Nigeria, Hong Kong, Oman, China, Saudi Arabia, Papua New Guinea, and UAE, and responses from the primary research cements that this is a transferable driver to the global oil and gas industry who are establishing business in many of these countries in any case.

Respondent 1	*"Absolutely, technical delivery is a key service mmm that an organisation provides so the technical development of individuals into that role is crucial so that our service provision is maintained"*
Respondent 3	*"Absolutely, I think it's one of the main things we should do as a home company. We should be transferring our knowledge to the local workforce and training them up to make sure their competent"*

However, respondent 4 concluded that making money was perhaps more important for localising but considers technical development probably comes as a necessity rather than a driver.

The governmental influence is exposed from the interviews as the next important and perceived driver to localise. From Table 4.2, the researcher has considered this drawing parallels with 'local content policies' as described from the literature review. However, from the primary research responses this is labelled 'Government Drivers' in the context of the oil and gas industry.

Respondent 2	*"Well there hugely important, because in some areas we find that we're probably dealing with policies that make it untenable to try to set up a positive growth story in a particular country"*
Respondent 3	*"We need to understand it. It needs to be clear. We need to have somebody who can talk us through it and we also need to know that it's stable. We prefer to know its stable, it's not changing, or we would like to know what's coming in the future. In Ghana, certain things weren't in place, but we knew they were coming. Being aware of things helps us develop our strategy for getting into the country.*

There is compelling evidence that government policy is a driver to localise given the penalties in not doing so in a particular country.

Arguably, good reputation of a company operating in a new country can far outweigh these penalties and perhaps a continual increase in local content offset against penalties for not achieving the targets is a fair compromise in delivering the quality expected by the major clients. A good reputation with the government is critical to success and this is discussed further in the sections that follow which describe the government policies and attitudes as also being a perceived barrier to localisation.

The literature reviewed exposed over twenty (20) journal articles that found government policy as being a driver to localisation. Again these were across several countries. The primary research carried out in this study validates the literature review findings through six of the seven responses supporting governmental drivers as a driver to localise.

The next most compelling and perceived driver is the Potential Market where respondent 2, 4, 6, and 7, when asked what they considered the main driver for a company to localise their business, replied pretty consistently that the size of the potential market, or complexity of the market, and knowing who our competitors are and what they do is key to deciding whether there is a drive to localise and make a business profitable in a particular country.

Respondent 4	*"I suppose looking at the size of the potential market in the country"*
Respondent 6	*"I guess it's know who you're competitors are, understand your customers"*
Respondent 7	*"Ultimately it's about increasing the amount of work that we are doing in the industry, it's really as simple as that"*

The CEO of 'Oilco' went on to say that 'ultimately we are a business…we're looking at the growth opportunities within a subsidiary' and poses the question whether it would be worth setting up a business to localise if we had not done the homework to confirm that it was of any value and business would be sustainable. Fayol-Song (2011) draws parallels with research of Lasserre and Ching (1997) in concluding that some companies consider a driver to localise is to gain local market knowledge. This theme was not directly related to the context of the primary research and it could be argued that gaining local market knowledge is not a primary driver of 'Oilco'.

Finally, although it was agreed that 'Cost Reduction' is a driver, there was little evidence to support it was a key driver to localise and maybe more of a nice side-effect to doing business in a particular country. The CEO was quite descriptive in his response to this question when asked if cost reduction is the most important driver to localise.

Respondent 2	*"No, I don't actually, I think for me it is about the sustainability of a business…I think the fact that it makes a lower cost business is a lovely side-effect of that, but I do think social responsibility has to be the primary factor"*

The researcher found only a handful of studies (Fayol-Song 2011; Lam et al. 2004; Hauser 2003) that considered cost reduction as an important driver to localise which is proportional to the importance found during the primary research which justifies this as a driver within the oil and gas industry and validates this research and in summary Cost Reduction is included as a secondary driver to localise.

Table 4.3 summarises the key findings on localisation drivers and where the themes exposed from the literature review were validated through the field research.

Table 4.3: Summary of Key Findings – Localisation Drivers

Factors Validated (Literature Review)	Emerging Factors (Interviews)
Government Policies (Local Content Policies)	Core Values
Cost Reduction	Market Potential
Technical Development (Cultural Alignment/Social Responsibility)	
Local Market Knowledge	

Source: Original

4.2   Perceived Barriers Theme A: In-Country Knowledge

The first key barriers theme to be discussed from the interviews falls under the heading of In-Country Knowledge and relates to factors, as set by the researcher, that consider a home country's subsidiary country, the people, environment, real estate, and leadership therein.

Figure 4.1 will help the reader understand the researcher's thought process underpinning this theme and how the sub-themes interrelate within the analyses and discussion. There are six sub-themes discussed under this sub-section.

Figure 4.1: In-Country Knowledge Interrelationship Model
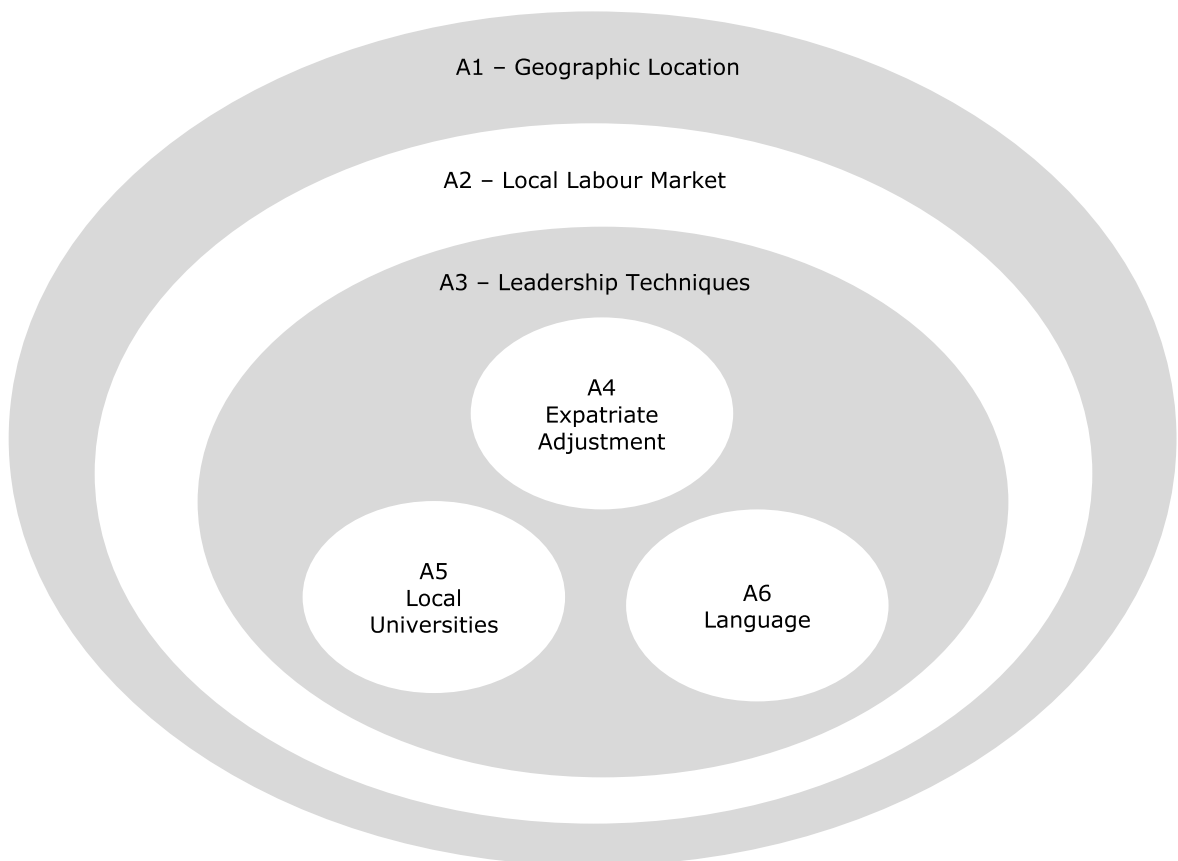
A1 – Geographic Location

A2 – Local Labour Market

A3 – Leadership Techniques

A4
Expatriate
Adjustment

A5
Local
Universities

A6
Language

Source: Original

In constructing these interrelationships the researcher considers a few high level questions in the process, for each of the sub-themes A1 through to A6.

1. Can we do business in this country?
2. Is there an experienced local resource base?
3. Can we conduct business ethically?
4. Do we know how to get a multi-cultural team to deliver quality results?
5. Have we got the right mentors?
6. Do we understand the level of graduate knowledge?
7. Can we communicate at all delivery levels?

In identifying the critical success factors and barriers to increasing local content in the general context (research objective 2) and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas services contractor industry (research objective 3), this particular theme was constructed from pertinent data fed back through questions 2, 5, 6, 7, 8, 9, 10, 11, 14, 18, 19, 21, 22, and 23.

Table 4.4 depicts a high level summarised response to support all these sub-themes as potential barriers to localising in the host country. The table also identifies if any of these sub-themes are perceived by the interviewees to be a driver to localisation and lastly, whether the barrier could, or could not be, mitigated over a period of time.

Table 4.4: Responses – In-Country Knowledge

Sub-Theme	Barrier	Driver	Time-lined
A1: Geographical Location	Yes	No	No
A2: Local Labour Market	Yes	No	Yes
A3: Leadership Techniques	Yes	No	Yes
A4: Expatriate Adjustment	Yes	No	Yes
A5: Local Universities	Yes	No	Yes
A6: Language (refer analyses)	Yes	No	Yes

Source: Original

4.2.1 Geographical Location (A1)

The questions posed drew out this *emerging* factor which could be related to the geographical location in which a company would conduct business. All of the respondents agreed that this could be a potential barrier to localise in a host country; however, respondent 1 stated that it may not be a formal barrier but absolutely something we take cognisance of.

Four respondents (respondent 1, 4, 6 and 7) agreed that the maturity of a particular market in that geographical location played an important part in localisation. This was bourne out of experience in developing countries where entering too early resulted in high investment costs in some countries and the inability to draw upon a skilled resource base.

Respondent 1	*"…Other areas say for example Ghana is a developing market"*

Respondent 6	*"There are some that are well established, for example Nigeria, but then if you look at Israel there is a small proportion that actually understand what we do"*

This is compounded in the Oil and Gas services engineering contractor's industry that are reliant on successful start-up and operation of oil and gas assets prior to a service line being initiated and have to make reasoned strategic decisions to time their entry at the correct phase of the oil and gas life-cycle. Through experience, the researcher has found that entry into a market too early will result in a lack of trained resources in the country and the need to employ expensive expatriates which results in other inherent issues associated with local content policies.

Respondent 3 made comment on the supply chain and what is acceptable practice in a particular geographical location. If the supply chain in country is not mature enough or able to align with the company ethical practices then this will play an important part of you decision making process of entry.

Respondent 3	*"You need to know what is acceptable practice in these parts of the world in terms of supplies as well because I think that would be part of your decision making way forward"*

Some academics may feel that these; market maturity, supply chain, or unique ways of working, in some countries are adequately covered under other factors. However, the researcher supports this additional factor, in the context of the oil and gas industry; this did not emerge from the literature review and the primary importance given to this in a company's strategic plan, and the emotion exhibited by the interviewees around this aspect cement the need to have this as a standalone factor in this particular stream of research, particularly when this is a primary factor for consideration at the outset.

4.2.2 Local Labour Market (A2)

This sub-theme was investigated in the context of oil and gas market and competition and not the individual resources availability and quality which are subject to separate investigation under another sub-theme. The CEO of 'Oilco' had plenty to say in this respect and provided the following quotation.

Respondent 2	*"We think that actually no matter how hard you try, it's almost impossible to gain sufficient market knowledge without actually committing to being in a market…we reckon it probably took 2-5 years to get to the point where you understand the true sustainability of the market"*

Arguably, this indicates that although the local labour market is a barrier to localisation, maybe we would still make the decision to enter the market based on the assumption that we will never really know the market until we get in there. This is supported through another response from respondent 7.

Respondent 7	*"You can do it without knowing it, but you won't do it as quick as you should and you won't be as competitive as you should"*

Respondent 7 is indicating that there would be an investment cost to be absorbed over the extended time to set up a sustainable business and without adequate pre-planning and knowledge we would likely place ourselves into a non-competitive position from the outset. This is supported by respondent 6 who feels that knowing what the competition is doing will show us if there is room for us in the market place.

Respondent 1 supports the above, strongly indicating that not knowing your local labour market could be a costly lesson learned.

Respondent 1	*"It's hugely important; there are a lot of subtleties in the way people engage in the local market place…during set up you can make an awful lot of mistakes, you can spend a lot of money"*

Another important point raised by respondent 5 in reference to the tendering phase of a contract was interesting as this process is completed prior to winning work in the country. Lack of pre-planning and knowledge gathering around the market would not position a company adequately during bid evaluations as they would not really understand how the country works this part of the process.

Respondent 5	*"It's hugely important…knowing what happens on the ground. Knowledge of how bids will be evaluated, what makes clients tick and governance…you can be best technically in the world but if you don't understand how the country works…the client will look at you and say, this guy doesn't understand my country"*

All respondents felt that not knowing the local labour market, whether maturity, supply chain, or competition, was a key barrier to entering a country. Furthermore, this prevented a company from localising their subsidiary as part of the strategic planning process and to deliver services in line with the company core values and in particular, the social responsibility core value.

This sub-theme has drawn quite a lot of attention, albeit from a human resource element in a number of cases, from academics from 2003 onwards both from a global perspective as well as country specific literature being produced relative to Middle East (Oman, UAE), Papua New Guinea, and China (Al-Dosary and Rahman 2005; Lamki 2005; Muysken and Nour 2006; Bhanugopan and Fish 2007; Lam and Yeung 2008; Randeree 2009; Swailles et al. 2011; Forstenlechner et al. 2014). However, the majority of these studies were biased towards public sector attractiveness and not the labour market itself.

Lam and Yeung (2008) state that quality and performance is affected in areas where there is high environmental uncertainty. Hauser (2003) identifies other barriers which focus on areas where expatriates are going native as a cost reduction initiative which can have a detrimental and non-compliant effect on local content targets. Both of which could result in a strategic decision not to enter a particular country. These particular barriers are some of the subtleties described in the interviewee's responses and as such validate this sub-theme derived from the literature review.

4.2.3 Leadership Techniques (A3)

The questions posed drew out a second emerging factor under this theme which is related to the leadership skills and whether they are prominent in a country where a company aspires to enter and conduct business as a local subsidiary or entity. The researcher makes it clear that the context in which this sub-theme is used in the research is in relation to inherent leadership skills in the local subsidiary management team in-country.

All respondents confirmed this to be a barrier to localisation in the context that lack of leadership skills with regard to local managers can easily result in local HR strategies or HR tactical plans, in particular succession planning not be rolled by or bought into which can easily lead to local content targets not being achieved. More so, local content plans would be gathering dust rather than being respected as part of the process.

Respondent 6 supports this impact through direct discussions about HR training programmes; being a senior HR Manager herself she has openly visited countries to complete audits and found many non-conformances in this area. When asked if HR training programmes are an important driver to success she responded.

Respondent 6	*"You know what, yes they are, but only if communicated properly and they are a continuous improvement…If you go in and say you're going to use this tool and then forget about it, and then introduce it 18 months later, it's like, I've already done this and nothing happened"*

Respondent 4, 5 and 7 provide further support that the local management team must buy into localisation and display the leadership style needed and lead from the top.

Respondent 4	*"If you don't have a local management team who have bought into localisation, whether it be from a legal point or because it is the right thing to do, you're never going to get there"*
Respondent 5	*"It's hugely important and again it should come down from the top"*
Respondent 7	*"If a local subsidiary doesn't believe in it, doesn't drive it and make it happen, it won't happen…need everyone bought into what you are trying to achieve there and you need to drive it all the way through"*

The right approach by the leaders is imperative to success of a newly established business entity. You want to get the right approach, the right willingness to be part of a new organisation that is establishing and growing. The team ethos, the culture, is extremely important (Respondent 1). This is supported by the researcher who has over 15 years international experience and taken up assignments in several countries, some of which being in the most challenging environments; Kazakhstan, Nigeria, Gabon. The cultural norms in each of these countries are vastly different and it was found during contract start-ups that the level of leadership skills was not as advanced as expected, to the point where additional expats had been mobilised at a cost to rectify high risk situations. These lessons learned are vital for success of other opportunities to develop in different countries. This draws parallels with having the correct leaders' in-country that have the ability to lead and manage a 'realised' business strategy and react to change.

Respondent 1	*"I think it is really important that they are at the front end of the process and having the ability to modify the strategy as needed as well and refine it and feedback lessons learned into the wider organisation"*

On the counter side, and evident from the conversation with respondent 2, a company must be careful not to have leaders who compromise the organisation and its core values. The oil and gas industry is a high risk business and people's lives are at stake along with the safety and integrity of the operator's assets. Strong leaders are needed to understand change that may be driven externally and to which a company (just) cannot comply without breaching the integrity of the business.

Respondent 2	*"The rules change all the time so we should be saying – well, actually this is as fast as we can possibly go, beyond that we cannot guarantee safety of the operation or maintenance of the core values therefore not going to do it…yes I think it can have huge reputational damage if you've got people that don't behave properly and don't uphold the company values"*

Respondent 3, 4 and 6 consider that respect and communication plays an important part in the process. Indeed a senior executive of 'Oilco' was emotive in saying he wanted those people to feel proud of the company they are working for and know we are looking after them. The researcher supports this and clearly, if corporate HQ shows the respect for the local management then this have a

cascade effect across the local entity in displaying empathy and instilling mind set changes within our local leaders.

|	
Respondent 6	*"They need to gain the respects of the people that are there and change the local mind set"*
Respondent 3	*"It's having an empathy with people there and helping them"*

In summary, the above supports the need to add leadership skills in this context under the theme of in-country knowledge. It is important that the corporate company have an idea of the leadership qualities that may or may not exist in the country to understand what plans have to be included as part of the entry strategy to the country. It may mean bolstering up management via expatriates which comes at a higher investment cost and this has to be recognised early and built into budgets to ensure the correct level of commitment is put in place in compliance with any localisation drivers set.

4.2.4 Expatriate Adjustment (A4)

This next sub-theme drew a lot of discussion with full agreement that this was a real barrier to localisation in most countries. The researcher intentionally labels this sub-theme as 'expatriate adjustment' but recognises that there is an entire stream of research in this area and the intent is <u>not</u> to lead the reader to believe that all the factors of the Framework of International Adjustment (Black et al. 1991) are relevant to this research. The context of this research needs to be strictly aligned to meeting the objectives of the study and as such sees the <u>attitudes/failures</u> of the expatriate <u>when in-country</u> as the main areas of analysis under this theme of In-Country Knowledge.

From Figure 4.2, this research has focused on an individual in the role of an expatriate mentor in-country. As such our interest is confined to the box labelled 'individual' within the 'in-country adjustment' box, although there is some relevance and overlap in any previous experience an individual may have prior to taken up an in-country assignment.

Figure 4.2: Framework of International Adjustment
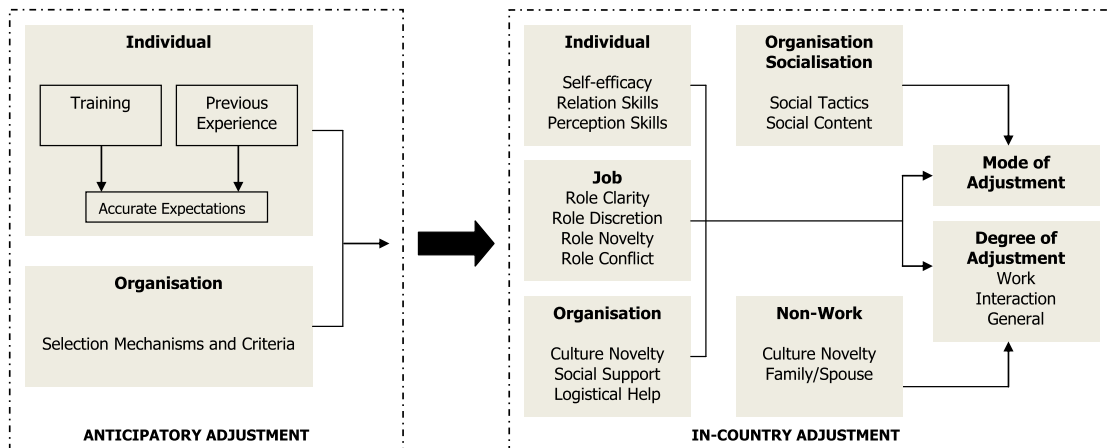
Source: Black, J.S., Mendenhall, M and Oddou, G. (1991)

It was concluded unanimously from interviewing that any failing of the expatriate when acting essentially in a mentoring capacity has a real adverse effect on localisation and there were some strong quotes which support this.

Respondent 5	*"Expatriate failure, absolutely…now even today, I come across people who just don't want to know about it. That's why it's hugely important someone like you gets in the middle saying, I have done this. This is what we can do"*
Respondent 7	*"Quite often it is going to be the difference between success and failure. If you have got an expat who is just in job preservation mode and doesn't want to develop local content and actually deliberately holds them back"*

However, on the counter, respondent 7 goes on to explain that if you have an expat in the role who is really into it, then this can have a massive positive effect on the locals. The researcher, through experience, can understand both sides of this argument and refers back to the need for gathering this kind of knowledge; where are our good mentors? Are they willing to travel and share knowledge in other countries etc.? This supports the decision to have this sub-theme underpinning in-country knowledge.

Indeed, Kobrin (1988), and further supported by Hailey (1993), concluded that at least a core of expatriate managers are necessary to identify with the corporate objectives. Mentoring is one of the key objectives in the oil and gas

industry services contractor industry and of a company seeking to localise, which validates this observation.

Potter (1989) commented on an expatriate's attitudes being an obstacle to localisation through these professionals assuming their own extended training is essential to perform the job and they have financial vested interests in maintaining local dependency on them. This is validated through discussions with respondent 1, 2, and 3 who went on to add that skillsets are not getting passed down due to a lack of interest/no interest in training.

Respondent 1	*"They are not necessarily establishing routes in the organisation or the local environment longer term…skillsets are not necessarily getting developed or passed down…so there can be a disassociation from the company"*
Respondent 2	*"Yes, I think it can have huge reputational damage…don't understand they have a mentoring responsibility, it can cause damage and resentment…we're not here to sustain jobs for expats"*
Respondent 3	*"…they become aware of the numbers, the monies these people are getting. They're aware of the lack of interest"*

Respondent 3, 4, and 6 also commented on the effect that an expatriate can have on a local employee. The locals have to feel part of the localisation process and they like continuity. The researcher's experience in this particular area of mentoring and interaction can fully understand this. Sometimes the quick turnaround of expats can intimidate locals who are described by Potter (1989) as being impatient and ambitious.

Respondent 3	*"It's their business, or their life and their career and we're not looking after it…it frightens them I think just in terms of the contract, but how can they develop when you've got all these people wandering in"*
Respondent 4	*"Failure. Yes, it would have an effect on localisation…they like to see, to feel they are a part of something…the one thing I've seen is that locals in the countries that I've been involved, they like continuity"*
Respondent 6	*"Yes, definitely…They need to gain the respects of the people that are there and change the local mindset into how we want to operate and what the business goals are"*

Hailey (1993) stated that there was pressure from local managers who were frustrated at their role and status within the company and are resentful at the continued use of expatriates. Although this was not extended to technical specialists, the researcher observes some parallels here with the interview conversations and certainly some support that there is an obvious barrier in this respect that impacts in this study context.

Selmer (2004) mentioned that firms should be aware of potential pitfalls in remunerating expats for localising their positions; this adopted expat attitude this could lead to ill fate as localisation plans are accelerated and local's may be elevated to senior positions too early thus having an impact on quality and performance. Rees et al. (2007) highlight that sabotage of the initiatives is a concern, evident in the UAE but of course transferable in this context, and states full cooperation is required from influential expatriates to achieve localisation whose own job is undermined by localisation. These points further validate the expatriate attitude as being a barrier to localisation.

In summary, the evidence from the primary data collected from the interviews has a close relationship to the findings of the literature review and as such fully validates that an expatriate' attitudes or failings impact on localisation targets.

4.2.5 Local Universities (A5)

The quality of a university degree and skills mismatch was exposed during the literature review and subsequently included on the conceptual framework. These sub-themes are discussed later and underpin the theme: Local Content as the barriers are considered directly relevant to an individual.

From the design of the question/s around this theme, the primary data offered a little more depth into an emerging factor, the 'local universities' themselves within a country. This was also considered a barrier to the oil and gas engineering services contractor's industry through validated positive responses from the interviews. It is clear that this area was a particular concern to 'Oilco'.

Respondent 4	*"I think they are very slow in some places especially when it's a new industry like oil and gas, to pick up on, making sure that the training and the universities are aligned…lack of trained resources, lack of universities aligning with the type of people that you actually need to hire"*

| Respondent 7 | *"It's getting involved in health and education programmes and working in universities...absolutely"* |

Generally the main concern for the engineering services contractor's industry is attracting graduates to grow the local content of the engineering team with suitable engineers and designers who have recognition of what brownfield engineering modifications carried out on 'live' oil and gas assets entails. 'Oilco' has many examples where skilled resources just do not exist for the type of work carried out by the company.

Respondent 7 answered in the context of the African region where the company invested in training centres and safety shelters to provide graduates with introductory knowledge of the business involved, along with safety training in line with the company core values. This came at a large cost but led to award of large contracts in the African region. Similarly, the researcher has a well-established relationship with the Kazakh British Technical University (KBTU) in Almaty, Kazakhstan and 'Oilco' was a leading sponsor for the Student's Charter at the university. In addition, another part of the corporate business sponsored a professor at the KBTU. These leading initiatives support the responses gathered and transcribed from the interviews.

From the literature review and during development of the conceptual framework, lack of awareness of the private sector was identified and it is argued that this has a close relationship to this particular sub-theme; local universities. The researcher considers that the importance of graduates to the growth of the country is paramount and knowledge of the private sector and the oil and gas industry is essential. Furthermore, the university curriculum should include relevant material that aligns to growth of the oil and gas industry where in some places oil & gas is a prevalent future industry.

Cohen (1992) concluded that the Kenyan government were attempting to improve the effectiveness of technical personnel by increasing the graduate level training programmes.

Al-Lamki (1998) distributed questionnaires to final year students from 4 colleges including engineering and concluded the second highest scoring was they had a lack of information or awareness of the private sector employment opportunities.

In a later paper; Al Lamki (2005) stated that there was a lack of coordination and planning between education, training and development and of the labour requirements and goes on to say that there is a lack of skills and competency for the private sector jobs, this is a major impediment to recruitment. Although this research was centred in Middle East it is concluded by Al Lamki (2005) that these lessons learned could be synergised with other industry in the private sector. The researcher supports this work and, through his own research (Kazakhstan, Russia, Caspian, Africa), and primary data collected from interviews (Africa, Middle East) can confirm this still to be a major barrier to localisation today. Bhanugopan and Fish (2007) along with Swailles et al. (2011) and Randeree (2009) further supports this missing link between educational institutions and the private sector from a Papua New Guinea and Middle East perspective.

The researcher concludes that this emerging factor; local universities merits a separate sub-theme of its own underpinning the theme; in-country knowledge.

4.2.6 Language (A6)

From the literature reviewed there was no real discussion around language as being a barrier to localisation and arguably, it may be accepted by most companies that this is part of doing business in a new country. Indeed, the primary research did not expose this as a perceived barrier although in the oil and gas industry it continues to impede the speed of localisation and transferring of knowledge in some countries.

The researcher draws upon an example in Kazakhstan where transfer of day-to-day knowledge between designers and engineers was impeded greatly by the local language (Russian/Kazakh/English) to the point where an investment was made to employ a full time language teacher in the business and set a formal calendar for training. A second example more recently in Gabon where the budget for the contract did not include French speaking personnel and this was impacting on the safety and integrity of the plant through poor communication. 'Oilco' was exposed to a large investment to mitigate this issue and protect its own reputation in country.

The researcher, in providing these examples recommends that this sub-theme is added as an *emerging* factor for completeness.

4.3   Perceived Barriers Theme B: Governmental

The second key barriers theme to be discussed from the interviews falls under the heading of Governmental and relates to factors, as set by the researcher, that may be inherent in a country's governmental sector and may influence a corporate or local business entity to mould their operation in a way that may not be suitable for their company to deliver a quality or indeed profitable business. Indeed these factors may be a real road block to setting up a local entity in the first instance.

Figure 4.3 will help the reader understand the researcher's thought process underpinning this theme and how the sub-themes interrelate within the analyses and discussion. There are four sub-themes discussed under this sub-section.

Figure 4.3: Governmental Interrelationship Model
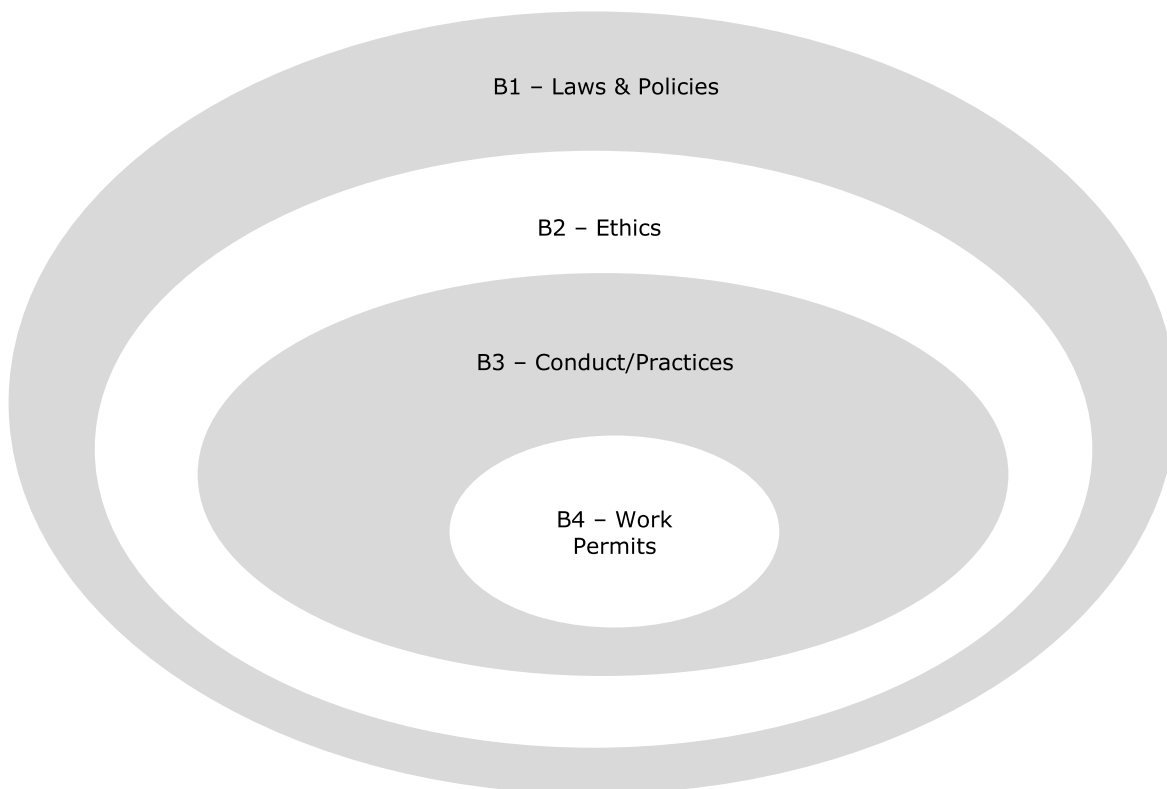
B1 – Laws & Policies

B2 – Ethics

B3 – Conduct/Practices

B4 – Work Permits

Source: Original

In constructing these interrelationships the researcher considers a few high level questions in the process, for each of the sub-themes B1 through to B4.

1. Do these laws and policies prevent us from delivering a quality and profitable business in that country?
2. Are these policies upheld in a fair manner?
3. Are the practices of the regional regulatory bodies aligned to the country's laws and policies?
4. Are we able to bring the correct level of competence into the country to fulfil our training plans and nationalisation programmes?

In identifying the critical success factors and barriers to increasing local content in the general context (research objective 2) and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas services contractor industry (research objective 3), this particular theme was constructed from pertinent data fed back through questions 1, 2, 7, 13, and 18.

Table 4.5 depicts a high level summarised response to support all these sub-themes as potential barriers to localising in the host country. The table also identifies if any of these sub-themes are perceived by the interviewees to be a driver to localisation (discussed later) and lastly, whether the barrier could, or could not be, mitigated over a period of time.

Table 4.5: Responses – Governmental

Sub-Theme	Barrier	Driver	Time-lined
B1: Laws and Policies	Yes	No	No
B2: Ethics	Yes	No	No
B3: Conduct/Practices	Yes	No	Yes
B4: Work Permits	Yes	No	Yes

Source: Original

It can be argued that Governmental factors are a driver for localisation and the researcher supports this, however, the commitment to localise may go further than just compliance to governmental policy or indeed law, to the point where

Governmental factors can become a real barrier to localisation should there be a lack of homework carried out by corporate HQ prior to entering a new country. It is these barriers/factors that drew interest from the respondents in the study.

4.3.1 Laws and Policies (B1)

Laws and policies vary greatly from one country to another and need to be considered adequately at the strategic planning stage. This was the view of all of the respondents all of which have had experiences at a senior level with regard to government influences in particular countries. There is a compelling case for these laws and policies becoming a barrier for a number of reasons.

Respondent 1	*"Certainly an area for consideration…there are some countries that have strict and quite developed policies for nationalisation and we absolutely consider that in our strategy for starting an entity in country"*

Respondent 1 goes on to state that it is good that the government's bringing in nationalisation requirements as localisation is very important. This can be interpreted as the existing policies may not be clear to everyone. Indeed the responses below support the view of respondent 1.

Respondent 4	*"If you compare the likes of Kazakhstan to Nigeria and Angola, there's a complete disconnect. Some work, some don't. They cause a lot of confusion because there is no consistency in how they are actually applied, whatsoever"*

Respondent 7	*"They are vast and varied depending on where you are. They can be at times a barrier to entry because they can be over onerous when you come…Before I think it is absolutely imperative; If you don't understand it you are going to get it wrong and you only get one chance to impress the government"*

The responses above support the findings of Al-Waqfi and Forstenlechner (2014) who concluded that the lack of clear governmental targets, ill-defined polices and ineffective laws presented a real barrier to localisation.

A global services contractor such as 'Oilco' must treat every country as bespoke. Being successful in one country does not automatically mean you will be successful elsewhere.

Respondent 2	*"There can be barriers there in terms of insistence, in some areas, of almost like a unionisation that guarantees continuity of work, where we can guarantee continuity of work for people…interpretation of the local laws"*

This interpretation of the local laws is important given a particular example in one of the case study's organisations regions where different parts of the country governed in different ways so inconsistency (respondent 4) is prevalent in some areas and must be understood thoroughly prior to entry.

It may not be a formal or primary barrier but absolutely something we should take cognisance of. Respondent 2 on the other had supports these as being a barrier.

The CEO of 'Oilco' added that in some countries you could argue that it has actually held back development and progress. He further states that previous experience in Nigeria, for instance, has been the insistence on localisation and work being done locally sometimes means work not getting done at all.

Some of the countries that 'Oilco' enters are dependent on foreign aid and this could arguably lead to the corporate mindset whereby they feel they have a right to employ expats to deliver their own business. This can lead to some friction between the corporate or local entity and the government and a balance needs to be found to prevent early reputational concern and barriers.

Cohen (1992) found from his work in Kenya that as long as donors continue to fund complex projects they are going to insist on employment of advisors (expats).

The literature review carried out prior to data gathering exposed themes around 'foreign aid policies' and 'legal frameworks' and these were depicted on the conceptual framework in the literature review section of this work. The interview respondents spoke more around laws and policies and as such the researcher has chosen this as the sub-theme under the governmental factors. There was nothing exposed around foreign aid policies as being a barrier and this has been categorised as policy in this respect. Additionally, the 'regulations and attitudes' theme exposed by academics and shown on the conceptual framework has been split due to the nature of the responses from the oil and gas executives, with regulations included under laws and policies and attitudes covered under conduct and practices (B3).

4.3.2 Ethics (B2)

The sub-theme of 'ethics' is singled out based on the nature of responses from the interviews. It is intentionally separated from conduct and practices and is contextualised in this study as how each country perceives its own integrity with regard to the regulations set out and whether they are applied consistently in all regions of a country.

Respondent 2	*"So whilst a country's government may come in and say "we have zero tolerance" for corruption", if corruption is endemic within the practices in a country, then it's something we have to be very wary of, that we don't end up going into a place where we simply can't operate, because we choose not to be involved in what are local customs and practices"*
Respondent 4	*"They're developing a policy based on what they believe is an appropriate timescale politically, to keep them in office"*
Respondent 5	*"Kazakhstan is deemed a complete and utter disaster (localisation)…when they've analysed it, of the 50 billion spent, it worked out that 3% was spent in country…The country is absolutely determined that it doesn't happen again"*

These responses support ethics/bad practices as an *emerging* factor from an analysis of the interview responses; it could be interpreted that a company cannot rely on a government acting honestly or with a high degree of integrity and perhaps it could be argued that getting to know the government may be an initiative that could help position the company and succeed in localising a local business entity, in compliance with its own core values. There is some support in this practice from Swailles et al. (2011) where they conclude that active collaboration between government and a private organisation will promote localisation. Further support from Fayol-Song (2011) exists from the literature review and concludes that good relations with the government will help mitigate this perceived barrier to localisation.

The researcher draws on his own experience in this area and refers to an example of drawing closer to the government in Atyrau, Kazakhstan and the agreement drawn up to bring in public sector employees into 'Oilco' and train them from the lowest level. This proved a success and today we have some of these people in senior roles within the local subsidiary. This initiative strengthened relations with the government who, through this continued

commitment, worked together with 'Oilco' to improve and strengthen, or even understand how the oil and gas business operates and whether particular local policies were realistic in the private sector.

4.3.3 Conduct/Practices (B3)

It can be argued that the theme of conduct/practices could be included as a barrier under ethics but again there was a compelling response from the 'elite' sample that the conduct and practices of the government had more influence than purely just a breach of integrity. It was recommended through this study to list this as a separate sub-theme and factor of localisation.

The researcher's own experienced observation and direct dealings with the government in the Caspian region exposed that in addition to inconsistent messaging and policies that were sometimes misunderstood by the government themselves, there was a real disconnect between different regions of the country. Furthermore, it was evident as a government party was nearing end of term that they were happy to go on a good note and as such maybe apply more pressure to private companies to get there numbers up (respondent 2) with regards to local content. There is some support to this in Sadi & Buraey's (2009) work in Saudi Arabia where they found that almost all interviewed exposed an overwhelming rejection of the idea of forcing a policy even although policy implementation was unsuccessful in the private sector.

Respondent 1	*"I think a lot more interactive engagement would be good to look at training and development and ways of skillsets gaps filling…sometimes it just defaults to % and numbers"*
Respondent 2	*"The government has a direct influence on the public sector because normally it is the funding mechanism for the public sector…but at the end of the day, we're the service provider to a customer, and the customer probably has a more direct relationship with the government"*

The view of respondent 2 can be challenged through direct influences from the government to the service contractors' bourne from experiences over several years where the service contractors have been fined for not meeting the local content targets on an annual basis. It is true the client can directly influence the government by the threat of non-investment but the researcher is quick to point out that service contractors do not have this foothold with regard compliance and

this practice should be understood and mitigated during the strategic planning stage.

Other conduct or practices that should be understood and may be barriers to localisation include; (1) the lack of knowledge the government has in the private sector such as oil and gas and as a result they do not involve the private sector in the setting of localisation targets. This was a view fed back through respondent 4 and in some ways validates Bhanugopan & Fish (2007) who conceded that the government did not have significant impact on its objectives and that it was unclear if it was the governments or private company's responsibility for localisation target compliance. (2) Forcing the private companies to solely commit to investing in training facilities at a large cost rather than helping subsidise such initiatives and this was a perception of respondent 7.

Respondent 7	*"There are places who leave it to us and expect that we are going to take the cost…so governments have to take a key role in driving…I don't think a lot of governments really have clear thoughts on policies around that if I am being honest"*

Conduct and practices such as these create large costs for private companies and their subsidiaries and this may lead to a company cutting losses and exiting a particular country if not considered in their overall strategies.

On the counter side, the researcher recalls an initiative that the case organisation invested in to provide an engineering training classroom specifically designed around oil and gas processes and this was installed in a leading university. The kudos that followed helped convince the government that 'Oilco' was serious about localisation and this opened doors in this respect for the company to operate successfully in the country.

In summary, there are many conducts and practices in addition to a government's breach of ethics and integrity that may cross-fertilise across different regions of a country that could cost an company a lot of money. These present barriers to any nationalisation goals and should be considered separately by senior executives prior to any decision being taken on entering a particular country.

4.3.4 Work Permits (B4)

Finally, a factor is introduced by the researcher who, as an experienced observer recently in Africa and in particular Nigeria and Gabon, provides an example where the length of time to gain approval from the government for a work permit had serious delays in recruiting expats with the knowledge to train the local engineers. Al-Dosary and Rahman (2005) points towards the downturn in number of visas as proof of localisation policy success, however, based on the examples from 'Oilco', this is an area that really needs to be understood by senior managers and planned when setting strategies to enter new countries. There are many factors at work that affect the ability to get approval for work permits and this causes great strain on the business and leads to non-delivery, poor quality, and reputational damage if not handled carefully. This *emerging* factor is therefore argued as an important sub theme under the governmental barriers.

4.4   Perceived Barriers Theme C: Local Content

The third key barriers theme to be discussed from the interviews falls under the heading of Local Content and relates to factors, as set by the researcher, that consider the factors specific to the local resources (nationals) of the country in which a corporate company need to recognise and understand prior to setting up a business entity in a particular country.

Figure 4.4 will help the reader understand the researcher's thought process underpinning this theme and how the sub-themes interrelate within the analyses. There are seven sub-themes discussed under this sub-section.

Figure 4.4: Local Content Interrelationship Model
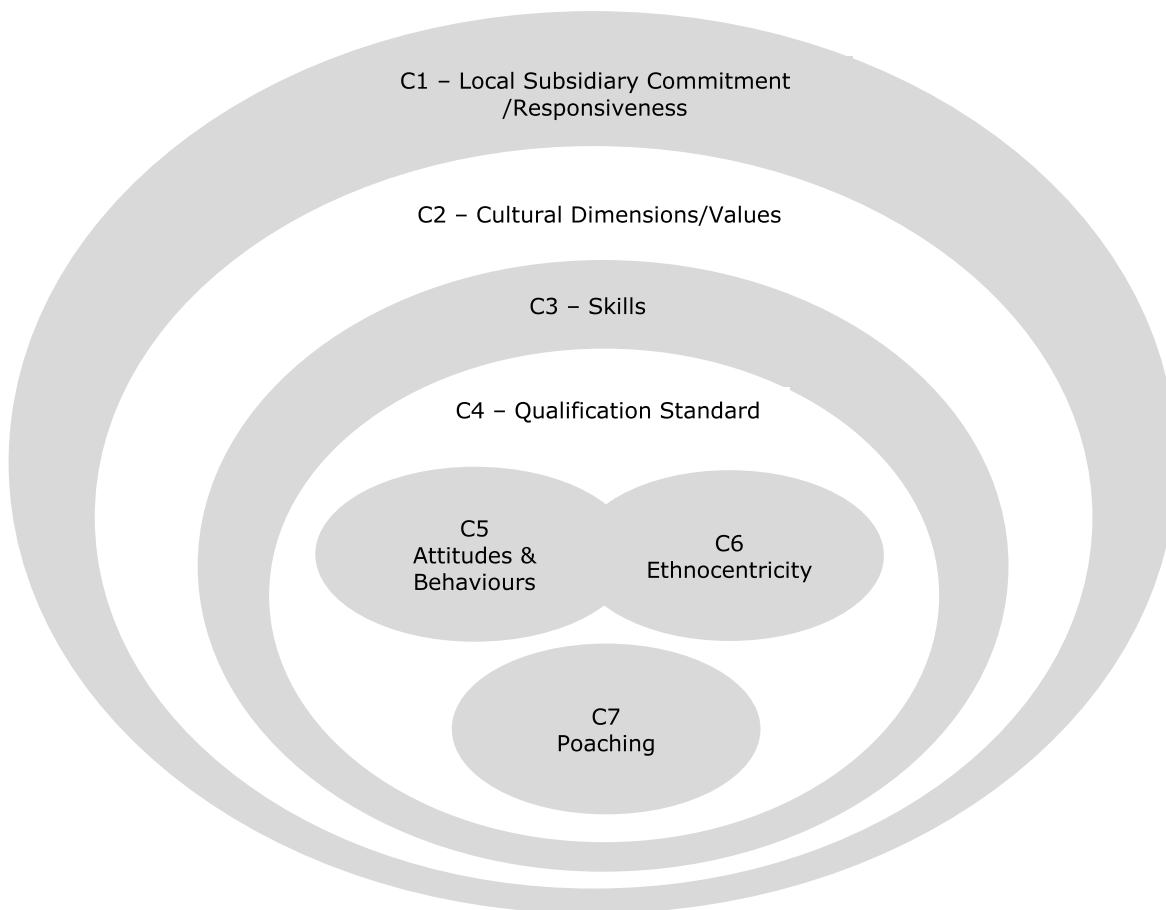
C1 – Local Subsidiary Commitment /Responsiveness

C2 – Cultural Dimensions/Values

C3 – Skills

C4 – Qualification Standard

C5 Attitudes & Behaviours

C6 Ethnocentricity

C7 Poaching

Source: Original

In constructing these interrelationships the researcher considers a few high level questions in the process, for each of the sub-themes C1 through to C7.

1. Can we empower a local business entity through a committed in-country leadership team?
2. Do we understand the culture in the country we wish to enter?
3. Is there an existing skillset that we can draw upon in our area of expertise?
4. What is the level of education standard in that country?
5. Do the local resources exhibit the type of behaviour required for our business and will they interact with expats?
6. Do our competitors support localisation of that particular country?

In identifying the critical success factors and barriers to increasing local content in the general context (research objective 2) and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas services contractor industry (research objective 3), this particular theme was constructed from pertinent data fed back through questions 1, 7, 8, 9, 11, 15, 17, 18, 19, 21, 22, and 23

Table 4.6 depicts a high level summarised response to support all these sub-themes as potential barriers to localising in the host country. The table also identifies if any of these sub-themes are perceived by the interviewees to be a driver to localisation and lastly, whether the barrier could, or could not be, mitigated over a period of time.

From Figure 4.4, it is seen that both sub-themes 'attitudes and behaviours' and 'ethnocentricity' have been overlapped, this is intentional and although it can be argued that ethnocentricity is a behaviour of an individual, the researcher through his own experienced observation has chosen to discuss this sub-theme separately due to the influence this particular factor has had in part of 'Oilco'.

Table 4.6: Responses – Local Content

Sub-Theme	Barrier	Driver	Time-lined
C1: Local Subsidiary Commitment/Responsiveness	Yes	No	Yes
C2: Cultural Dimensions/Values	Yes	No	No
C3: Skills	Yes	No	Yes
C4: Qualification Standard	Yes	No	Yes
C5: Attitudes and Behaviours	Yes	No	Yes
C6: Ethnocentricity	Yes	No	No
C7: Poaching	Yes	No	No

Source: Original

4.4.1 Local Subsidiary Commitment (C1)

'Local subsidiary commitment' was seen as an important factor to success of localisation from the majority of interview responses.

An early paper by Kobrin (1988) found that local managers in some companies had a lack of knowledge and identification with corporate or global objectives and this was having a real impact on the local objectives alignment. In addition, Al-Lamki (1998) states that a lack of awareness of the private sector was a factor exposed in impeding localisation as the local resources had no idea if their skills matched the needs of the private companies. Both of these could be resolved through more commitment and an appreciation from the local management of a subsidiary, this can be validated from the interview responses.

Respondent 1	*"I think in many ways the local business has to be at the front end of it, it has to be driving the process in many ways…and having the ability to modify the strategy as needed as well and refine it and feedback lessons learned to the organisation"*
Respondent 3	*"It needs to be 100%, if it's not then I think the laissez-faire attitude will develop…no, absolutely you want to see them driving. You want to see their faces coming up and saying, we can do this"*
Respondent 4	*"That's critical. If you don't have a local management team who have bought into localisation, whether it be from a legal point or because it's the right thing to do, you're never going to get there"*

Respondent 7	*"It's vitally important isn't it? If the local subsidiary doesn't believe in it, doesn't drive it and make it happen, it won't happen…need everyone bought into what you are trying to achieve and you need to drive it all the way through"*

These responses conclude that communication of objectives is important to ensure alignment between all levels of management from the top down. Sometimes in the oil and gas industry and multi-functional services lines there are inherent multiple layers of management and perhaps the objective setting is not really aligned and this has dangerous consequences as local subsidiaries are left to perceive the global objectives of the company. If the global objective is nationalisation of a subsidiary then the senior managers need to buy into this and local managers need to accept that expatriates will be coming onboard to develop the knowledge of the local resource base. The researcher draws on an example when starting up a new engineering entity within one of its clients site and there was real push back from locals when they saw that the manager of the office was an expat. Neither the objectives of the site office or the mobilisation of an expatriate manager was communicated as one of the localisation objectives and this caused real friction internally.

The work carried out by Fryxell et al. (2004) concluded that the perceptions of the planning aspects differed between line managers and some trust had to be instilled in local managers. The researcher interprets this to be down to poor roll out of objectives and communication and supports the practical example above. This academic work although conducted in China is arguably transferable across countries from evidence gathered from the oil and gas executives interviewed.

This commitment extends back across to the government and understanding their requirements and of course developing a relationship on trust and respect from both parties for the good of development of the economy.

Respondent 6	*"It's goes back to the social performance part. Following the correct government policies and working with the correct government bodies to ensure that we're meeting legislation. We listen to our workers, I guess it's just communication that is key"*

Respondent 6 validates previous work carried out by Al-Lamki (2005) and Swailles et al. (2011) who concluded the importance of collaboration and commitment of the local management team to succeed in localising a business.

The UK and African Business Director of 'Oilco', interestingly, chose to answer in the context of change and core values.

Respondent 7	*"There is a definite need for responsiveness and flexibility to say if we need to slow down our localisation, this is what it would look like. If we need to speed it up then this is what it would look like and the team not be wedded to say 'we're the victims because somebody changed the rules'…ultimately, be prepared to walk away if somebody says – no, we insist…we're not going to do it because it will break the core values"*

The researcher, being an experienced observer in a number of different countries feels comfortable in saying that the correct local manager is in place when they respect and fully understand the core values, understand the corporate objectives and how there interact in delivering operational excellence in their own country. This cements the researcher's opinion that local subsidiary commitment is crucial factor in localising a local business.

4.4.2 Cultural Dimensions (C2)

Cultural Dimensions, Values, or indeed Novelty will of course play a major part in delivery of operational excellence in any country where multi-national resources are required, or indeed where nationalisation is a key driver of a corporate business. This is a specific area of research and the intent is not to cover this in the thesis but only to expose the key discussion around this dominating sub-theme that underpins the main theme of Local Content.

It is no surprise that this sub-theme is a real barrier to localisation success and all of the respondents confirmed this. The researcher recalls some of his previous work in this area to validate some previous academic work whilst interpreting the responses from the oil and gas executives.

Respondent 1	*"Cultural values have to be recognised…I have just learned that in the Lagos office we have a national dress day on a Friday…I think it's important that holiday's, celebrations, and religious beliefs of the local population are considered. We can't just be a western type company and be dammed"*

The researcher draws upon an example in Kazakhstan where corporate and local management agreed that the religious holidays must be taken by expatriates and an event held at company's cost to celebrate the tradition. This had a remarkable

positive effect on morale and brought nationals and non-nationals closer together.

The CEO of 'Oilco' comments on importance of cultural values being translated on the ground and the researcher interprets this as not paying lip service to cultural aspects of our delivery.

Respondent 2	*"However, from experience, actually, when it comes down to it, there are very few countries that don't want to have a reputation about peoples welfare, concerned about honesty, and ethics within a business…however,, what comes through in practice, these high stated ethical considerations may not be translated on the ground.*

It can be argued that it is harder to change the cultural values of a country than it is to mould the local entity and organisation culture around the country you want to deliver your services. In the first instance you need to understand the values in the country you are entering. This is supported in some way from the response below solicited from the 'Oilco' Technical Director who has abundant international experience and has been accountable for success of many subsidiary engineering centres globally.

Respondent 3	*"Fundamental, absolutely. It's very hard to change the cultural values of a company…therefore you have to be aware of what they are…I think it's really important that you have sat down and thought about it…like Nigeria will be different in different regions, what matters to them, how does that fit with our cultural values…we buy companies overseas but we don't really understand their culture"*

The researcher draws parallel with this response through previous academic work with the Robert Gordon University. This work helped solve a puzzle in Kazakhstan where the researcher was based for several years' in the capacity of Engineering Manager. Some cultures are more difficult to adjust to than others. The underlying values that determine the way business is done are more different from UK norms in some countries than in others. Arguably, an employee going to Kazakhstan will have tougher time, and the learning curve will be longer, than an employee going to Australia. The researcher had identified gaps and contradictions within the literature with regard to the socio-cultural dimensions (Hofstede 1980, 1984, 1994) of Kazakhstan, and gained agreement from Professor Hofstede to distribute a Russian version of his VSM 94 questionnaire in order that the social-cultural dimensions of former USSR country

Kazakhstan could be calculated. The questionnaire was translated into the Russian language and distributed to all the Kazakhstani host nationals. The feedback was excellent with a return of forty-five (45) questionnaires, which more than validates the request by Professor Hofstede that between thirty (30) and fifty (50) questionnaires, from a similar age group within one organisation, would be required to provide a good validation.

From the responses, the researcher calculated the five social-cultural dimensions for Kazakhstan to provide information not previously available, or contradictory, within the academic literature. This information provided a means of comparison of the cultural toughness of Kazakhstan, with that of the home country UK. This led to several changes in the operational strategy and helped align the cultures of both the home and host country. 'Oilco' business entity in Kazakhstan is now a leading engineering services incumbent in the country with a good reputation for delivery high quality through an optimised local resource base.

Respondent 4 states that not a lot of thought is given to cultural values but agrees the importance in the drive for localisation.

Respondent 4	*"Extremely important. Understanding the thought process of business people in country that you are entering is very very important…we tend to have the focus on the market, the size of the market, the potential business rather than the actual cultural values"*

The responses solicited from the interviews and the researcher's previous studies and examples validate a lot of the conclusions from previous academic work and themes exposed during the literature review. Yu (2005) concluded that the closer the cultural values of the home and host employees then the greater the satisfaction of the management in country. In terms of performance, it was concluded by Bhanugopan & Fish (2007) and Lam & Yeung (2008) that home and host cultures should complement each other and that these cultures should be understood and the pressures within and how it is manifested to change inappropriate performance.

The remaining respondents cement the importance of cultural values in the oil and gas services industry where people are the only assets in 'Oilco'.

Respondent 6	*"It's really important because we need to consider how that culture operates in order for us to achieve our business goals and a successful start-up""*
Respondent 7	*"I think they are very important. You have got to understand where the culture impacts on the business, where it potentially impacts on things like our ethics policy…if you are somewhere like Asia for example, the way you handle their business card can either make or break a deal"*

These responses validate the work of Al-Waqfi & Forstenlechner (2014) who concluded this incompatibility of cultural norms and how it impedes localisation. Indeed there is an abundance of support, from a number of different countries, that cultural norms are a key, and *transferable*, factor that commands respect in the strategic decision making process within a corporate and local subsidiary if a company is to achieve operational excellence.

4.4.3 Skills (C3)

All of the respondents agreed 'skills' was a contributory factor and impediment to localisation. A resource base that is abundant and has the skillsets needed to deliver a company's service is imperative to success. Pre-planning and understanding the marketable resource base seems obligatory but more often than not it is not paid particular attention early enough.

Respondent 1	*"Main barrier to localisation. I think the primary thing is skillsets and knowledge and experience"…there are a number of things, you want to get the right skillsets, the right capability or the people with the potential to develop there under a training programme"*
Respondent 2	*"I accept that in some countries there may be a lack of indigenous skills that the only way to actually bring that in is to bring in skills from the outside that country…this should in most cases not be a permanent solution. It should be a way of upskilling the locals"*
Respondent 3	*"Competence of the people, confidence that they can do the work or learn to do the work"*

Almost all the responses indicated that lack of skills or indeed a mismatch of skills was a primary barrier to localisation. This mismatch is arguably down to many different factors, for example, the government, the private sector and academic institutes are maybe not aligned and universities are churning out students with a skillset that is void of the skills needed in the private sector. This is a particular issue in the case of the oil and gas services sector and more so the

operations and maintenance functions of the oil and gas sector. Some of the more developing countries are still teaching the students oil and gas reservoir and drilling aspects when they should be evolving to the operational aspects as the oil and gas industry matures. The researcher argues that this may be down to the professors themselves and lack of knowledge in these areas.

This validates some of the academics work exposed during the literature review where skills mismatch between the education system and the private sector were concluded as a barrier to localising the private sector industry. These studies (Potter 1989; Madhi & Barrientos 2003; Muysken & Nour 2006; Swailles et al. 2011) were carried out across UAE, Oman, and Saudi Arabia and referenced globally so there is adequate evidence that this is transferable to an oil and gas services delivery in developing countries.

The researcher in his senior management role for 'Oilco' introduced a 'local content' and 'relationship building' sponsorship initiative to support KBTU and was invited to review under-graduate degree programme curriculums to identify opportunities that will help support the future Brownfield Engineering Services element of the Kazakhstan Oil and Gas Industry. Additionally he also worked closely with KBTU in the understanding, and development, of 'tailored' engineering and Project Management lectures, with a common sense and practical approach to engineering, and delivered these lectures in the Almaty based University.

The Dean, of the Masters Programme Department, KBTU stated "These initiatives will greatly assist our staff, students and other University Partners over the next five years, and the KBTU is grateful to 'Oilco' Management for their increased support and this sponsorship will clearly strengthen our mutual cooperation over the coming years".

The value of these evolving long-term initiatives will be realised through time; But in the short-term 'Oilco' has developed programmes successfully which is evident in the continued increase in local content. Respondent 4 and 5 validates this type of initiative.

Respondent 4	*"Main barriers – lack of trained resources, lack of universities aligning with the type of people that you actually need to hire*

Respondent 5	*"I think universities due to their various advisory committees that they have, international companies on their advisory committees, might highlight the need"*

Respondent 5 appears to validate the work of Al-Hamadi et al. (2007) who conclude that management committees that promote private sector training will mitigate the impediments of localisation.

Al-Dosary (2005), Bhanugopan & Fish (2007), and Al-Waqfi et al. (2014) consider inadequate work skills and deficiencies in the education system as the main barriers to localisation due to lack of trained resources for entry to the private sector and the feedback from interviews validates this in the context of this study.

In other cases the skillsets are just not there. In the case of the oil and gas industry some areas are just not developed enough and it is not the right time to enter. Israel; respondent 7 says, the skills are just not there so it is about taking in foreign workers. Arguably, this does not prevent entry but a company's strategic plans need to include the high investment cost of using expats from day one, within their pricing strategies. The researcher argues that some countries may be too slow to realise the skills mismatch across the private sector. Indeed this draws parallels with respondent 4 who responded in relation to Kazakhstan.

Respondent 4	*"I think they're very slow in some places, especially when it's a new industry like oils and gas, to pick on making sure that the training and the universities are aligned with the requirements of the industry. The local resources, I don't think very, very rarely get the big picture"*

In summary there is compelling evidence to have 'skills' sub-theme underpinning the main theme of local content.

4.4.4 Qualification Standard (C4)

A 'qualification standard' sub-theme has been highlighted and is considered standalone from 'skills'. Whereas the skills of the available resource base and the skillsets of the graduates, in terms of whether they meet the requirements of the private sector, i.e., the oil and gas industry could arguably include qualification standard it is suggested that this sub-theme is justified given the nature and

emotion of the senior executives responses that are bourne out of practical experiences and lessons learned over many years.

Respondent 1	*"mmmm yes, there is definitely different standards in terms of degree levels…you cannot compare apples for apples necessarily mmm, in my experience a good degree in the UK is not necessarily matched by degrees elsewhere in the world…the main barrier to localisation – I think the primary thing is skillsets and knowledge…sometimes a degree isn't a degree"*

However, it is argued by respondent 2, that the amount of work they actually use from a degree is limited and is really only a 'badge of honour' to say they are capable of learning. The researcher supports this argument given the nature of the oil and gas industry and unique skillsets required in majority of the cases. However, we cannot lose sight of the requirement for a sound set of first principles when it comes to delivering a reputable engineering service.

From personal experience, the technical director of 'Oilco' chooses to respond more in acceptance that this is a given and practical testing is likely required to ensure we are getting people with the correct competencies. This is supported by respondent 7.

Respondent 3	*"Well we've both got experience of when the undergraduate degree is not a reflection of the quality of people…I think you need a degree to show the level, but you also need to test them to make sure they are competent to do it…I know Robert Bell from structural used to give them test…that's going a bit far, maybe, maybe not"*

Respondent 7	*"It doesn't stop us hiring, it probably means depending on the quality of it, we have got to put in more or less training to get an individual up to the level we want them to be at. An awful lot for me Jeff depends on the behaviour and attitude of the individual you bring in and not necessarily the quality of the degree they have got"*

'Oilco' has a reputation for high quality engineering therefore high quality resources are needed to deliver the service supporting the above. Forstenlechner (2009) concluded that the schooling in the UAE was quite weak and that the quality of degree was not to an adequate standard although this may have been down to the short time the university had been established. However, Randeree (2009) stated from the work carried out in UAE that scholarships and further external training may be required to bridge the educational gaps.

Cohen (1992) from research carried out in Kenya found that supporting graduate level training programmes and delivery of bridging training in some way mitigated this obvious knowledge gap between education and the private sector requirements.

There is also an argument made by respondent 4 that the standard of degree does not matter in some places as there is just not enough resources in any case so you are forced to take whatever is there rather than going for well-educated personnel. The researcher can certainly draw parallels here with the Caspian Region where the demand far outstrips the numbers of experienced engineers and designers and argues that perhaps managing to secure trainable and committed engineers of the future is the best strategy in some of the more developing countries. 'Oilco' through their own core values will not hire engineers without a degree. It is essential nowadays just to get past HR (respondent 5).

The researcher argues that it may be useful for local management to understand the type of academic curriculum being deployed in some countries and whether it is suitable for the evolving oil and gas industry and consider this during the strategic decision making process. There are many examples where 'Oilco' has hired engineers and designers who are found to be void of basic first principles and with this comes other local governmental issues in terminating a local's employment which can be a difficult and expensive process. From the analysis around a third of the responses in this area would indicate that there is a barrier to localisation in this respect although there are some views that suggest it is out of the company's hands should resources be scarce and an argument exists where the attitude and behaviour of an individual is far more important. This said there is ample evidence that this should be a listed factor under the 'local content' theme.

4.4.5 Attitudes and Behaviours (C5)

There was compelling support from the interview responses that a local's 'attitudes and behaviours' is an obstacle to localisation which is congruent to the work carried out by a number of academics across Nigeria, East Asia, Saudi Arabia, UAE and Oman. This validates that this sub-theme is transferable to the oil and gas industry services sector. Indeed Potter (1989), although more dated

now, referred to a local's impatience and ambition as an obstacle to localisation. The 'Oilco' UK and Africa Director supports this.

Respondent 7	*"The locals get a little bit of experience and they think they can do an awful lot more than they can. They don't necessarily fully invest in the process of learning and the opportunity to learn from the experienced people around them because they think they know more than they do too quickly"*

He went on to state that there are examples where, if you have a local with the correct attitude that understands localisation takes time, then these locals come out of the journey really well. Respondent 6 tends to agree with these thoughts.

Respondent 6	*"I think that if we get the correct people in, in order to gain the knowledge and expertise that they need, and they can see that there is a career path for them then that helps us greatly"*

Hailey (1993, 1996) when conducting research in Nigeria, then latterly East Asia concluded that a local's resentfulness was a major obstacle and this was endangering the operation and profitability of the business. He added that there was an evident frustration that highly paid expats were favoured rather than locals. This was in some ways validated by the CEO of 'Oilco'.

Respondent 2	*"You've got guys coming in here doing a job and getting paid an absolute fortune…which most of the folk locally could do…so I can't help thinking if you don't localise quickly enough, it can lead to jealousies and resentments"*

Respondent 1 intimated that some expats have maybe got a lack of respect for locals and this will of course compound a local's frustration. Respondent 3 goes on to state "that if you are a local and you see the expat coming in and he does not care about you, your attitude will be pretty much the same". These conflicting attitudes have a damaging effect on performance of the business.

From the literature review, there was a stream of research conducted in the Middle East (Saudi Arabia, UAE, and Oman) which drew upon a local's motivation, work ethic and general incompatibility to work in the private sector. Sadi & Buraey (2009) concluded that locals were not interested in non-technical roles, this is validated in the oil and gas services sector and the researcher draws upon good examples in both Africa and Caspian regions where a local's attitudes were that they would rather have a good job title and carry some kudos and

were not interested in being classed as a junior or trainee. There are many examples within 'Oilco' where locals expected to be promoted quickly but they just did not want any more responsibility. Respondent 4 provides some validation.

Respondent 4	*"If you're not proactive, in terms of learning and actively participating in delivery of projects, and trying to push themselves to further their careers, then you'll never ever localise the business. If you're nationals are sitting back just being along for the ride, they will never ever take over the lead roles"*

The researcher through experience accepts that the work carried out by Al-Waqfi & Forstenlechner (2014), where they conclude incompatibility through cultural norms is a barrier to localisation. However also counters this through examples where adequate planning and research on a countries cultural values and selection of the right people has a real positive effect on localisation and 'Oilco' in the Russian and Caspian regions are role models in this respect.

For completeness, recognition must also give to the attitudes of the expatriates and their interaction with the local resources and this was evident from a number of responses from the senior oil and gas experts. The researcher covered these aspects under the theme of in-country knowledge (A).

4.4.6 Ethnocentricity (C6)

The researcher completed previous research around the topic of ethnocentrism when addressing a perceived gap in the literature, whereby Mendenhall, Kuhlmann, Stahl and Osland (2002) highlighted that it was necessary to include the host country perspective in research designs to avoid common ethnocentric bias in expatriation research. This was fulfilled by looking at cross-cultural adjustment, not only with bias to the expatriate, but also from the host country perspective. This has significant relevance to this further research. This previous research concluded that the highest negative return was only 24% of expatriates who expressed that their cultural beliefs were stronger than that of other cultures; however, the host nationals returned a 57% negative response and as such the majority consider that their cultural beliefs are stronger than that of other cultures.

Florkowski and Fogel (1999) concluded that ethnocentrism will impact negatively on an expatriate' work adjustment, host commitment and parent company commitment and this is arguably expanded to being a barrier that contributes to slow localisation.

Respondent 2	*"I think another barrier that sometimes we miss is where you've got local tribal or religious ethnic differences between different groups…in reality they may well be part of different ethnic groups that really don't work together well"*

Although this was the only response that highlighted an ethnocentric theme it is a compelling feature that has a significant impact in delivering business in challenging countries where the cultural values are quite different between the home and host country. Indeed in the case of Nigeria, where the researcher was assigned for two years this was compounded through vastly different cultures within the country itself. A good example of this was on Bonny Island off the west coast of Nigeria where 'Oilco' had around 1000 local employees working on an oil and gas contract. The power of the local communities and rebellious nature inherent in each of the ethnic groups caused many strike actions during extended periods of oil and gas asset production shutdowns which arose due to over-hiring of one ethnic group over another. This had serious implications to 'Oilco' that had to learn over several years, at its own cost, of how to conduct business in such regions.

The researcher includes this as an *emerging* factor and barrier to localisation that needs to be considered fully as an extension to cultural values, and in particular relation to oil and gas services companies who rely on people as being their only assets.

4.4.7 Poaching (C7)

The literature review exposed nothing with regard to the effect poaching has on private sector localisation. There was evidence in some past research by Cohen (1992) where it was concluded that anti-poaching policies had been put in place in Kenya to prevent taking public sector resources into the private sector. However, there is nothing in reverse even although this is a hotly contested topic in the practical environment of the oil and gas services contracting industry. This researcher supports that this be a sub-theme and *emerging* factor from the

responses made by the senior oil and gas executives where 100% response was received back confirming this was a perceived barrier to localisation in 'Oilco'.

Respondent 1	*"It's a free market and people have the right to move…sometimes it's experience and development of knowledge and career…I think it's healthy to an extent that people get the chance to move…however, targeting and headhunting and sort of escalation in costs because there is not enough capable resources to deliver a piece of work really is of no benefit to the industry"*

Respondent 7	*"It's a free and open market it is going to happen isn't it. To some extent we should guard against it…we shouldn't be that precious or even that arrogant to think we have always got the best processes and systems and other people don't have better, and people would benefit more from being somewhere else"*

The difficultly in the developing countries with limited experienced resources is that they start to move around for more salary as this impacts on the mentoring and training programmes which are not getting a chance to embed and this results in large, and in some cases wasted investment as companies try hard to instil technical knowledge in the local resources.

Respondent 6	*"I don't think it's good for the market. If we work with our competitors and our customers so that we're aligned on what training is required, if there is an understanding what the basic salary and benefits are, then that would help prevent people going for higher salaries which would also help the market recover"*

It can be argued that non-committed resources will impact the business in any case and trying to prevent resources from leaving the company will compound barriers to meet the localisation objectives. They simply will not stay if they are not happy. It can also be argued that happy and content workers will be driven by more than just salary and this is support by respondent 3.

Respondent 3	*"If people do not want to work with you, you should not make them work for you…if they're going to stay there and they are not happy, do you really want that? We've met lots of guys and girls who are driven by wanting to be better, to be competent, to learn things, rather than by money…they are the ones we need to look after"*

Respondent 4, states it's inevitable if you're not first in and you have to gain market share, you will take what you can get regards resources. He goes on to say that at the end of the day you are bringing more people into that market. The researcher provides his own example and initiative with the KBTU in Kazakhstan. Strategic sponsorship has undoubtedly built a mutual trust between

both parties to the point where the 'knowledge starvation' problem has been recognised and accepted by the KBTU, who want to collaborate with us to solve the problem. Influence to date has resulted in the university openly supporting a suggested restructuring of the degree programmes to align with the future needs of the contractor in the Oil & Gas Industry in Kazakhstan. Taking time to develop relationships and deliver your promises is fundamental to earning respect as a contractor operating in the region. 'Treading water' and waiting on someone else to fix the problem is not the correct behaviour of an ambitious, reputable, and high integrity contractor such as 'Oilco', in a relatively immature oil and gas region. A contractor's input to the development of an experienced resource base that can support all contractors' future needs will cease the damage caused by floating resources on the pursuit of bigger salaries. The success of 'Oilco' Kazakhstan business is linked to the amount of effort expended through collaboration with the universities and through this growing respect they continue to secure the best students in the short-term. In the shorter term there is support from respondent 2 to try and work with your competitors to stop poaching between themselves.

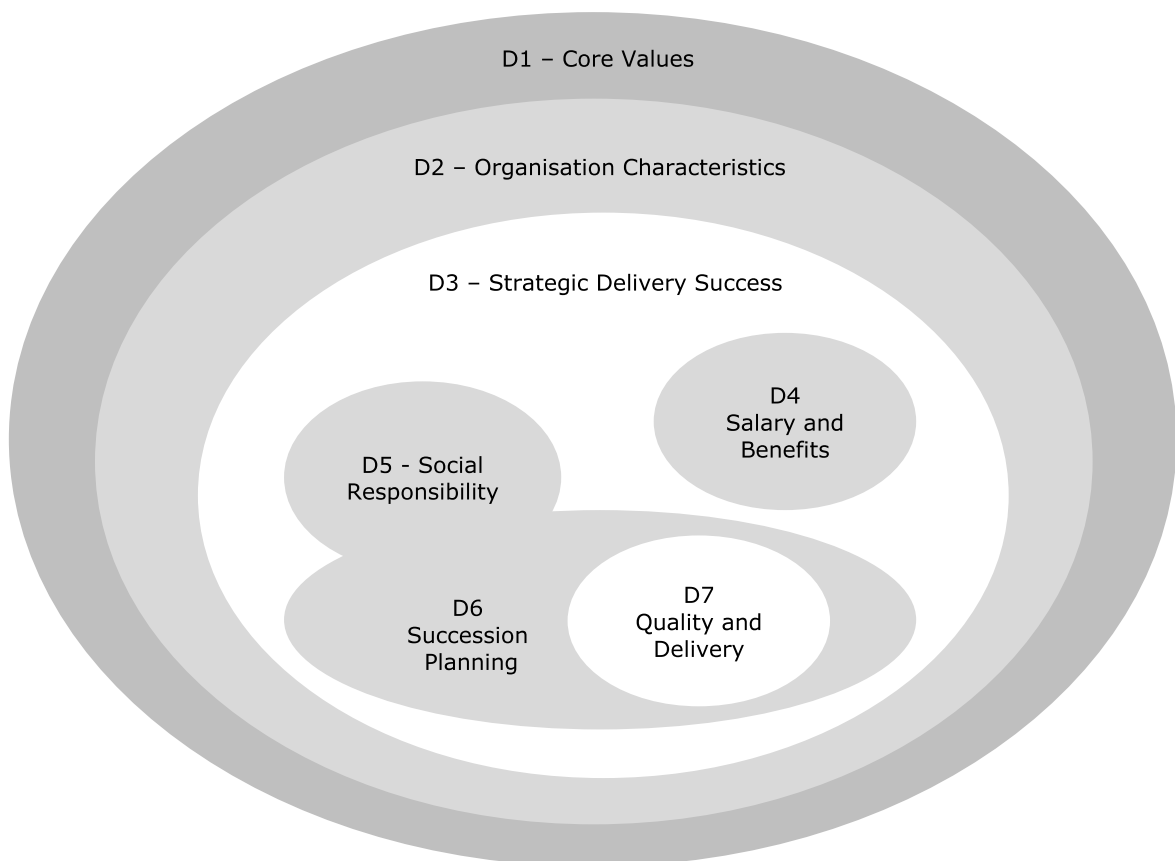| Respondent 2	*"It has always been a frustration for me, particularly if we put a lot of effort into developing resources and they become marketable…they get taken away…If we treat people well and we have a strong safety culture then as people leave our organisation they take that with them…they also take a pre-disposition to us to say – good company – might work for them"*

Whichever way you approach the 'poaching' issues in the context of the private sector, there are obstacles that have to be mitigated which justifies this sub-theme as a barrier to localise this type of business.

4.5   Perceived Barriers Theme D: Strategic Behaviour

Lastly, Strategic Behaviour of a home country company drew a lot of interest from the interviews so the researcher sets the context of this theme for the reader. This theme comprises of factors that are influenced by a corporate company either, (1) prior to deciding to set up an overseas entity, or (2) as part of the strategic decision making process prior to commencement of operations delivery in a particular country.

Figure 4.5 will help the reader understand the researcher's thought process underpinning this theme and how the sub-themes interrelate within the analyses. There are seven sub-themes discussed under this sub-section.

Figure 4.5: Strategic Behaviour Interrelationship Model

D1 – Core Values

D2 – Organisation Characteristics

D3 – Strategic Delivery Success

D4
Salary and
Benefits

D5 - Social
Responsibility

D6
Succession
Planning

D7
Quality and
Delivery

Source: Original

In constructing these interrelationships the researcher draws from his experience in the oil and gas industry and considers the following:

1. Can we develop a strategy aligned to our core values and deliver business in this country?
2. Do our company's organisation characteristics influence our ability to localise in this country?
3. What key objectives do we need to include in our strategic plans?
4. Have we considered what impact our salaries may have on local environment?
5. Are we ready to advocate Social Responsibility and support investment?
6. Are we planning to succeed and deliver local content targets?
7. Can we sustain a Quality Delivery and Operational Excellence and deliver local content targets?

There is an intentional overlap shown between Social Responsibility, Succession Planning, and delivering Quality. This is reflected upon later in the analyses but in summary it represents that quality and delivery can be directly influenced by the experience and knowledge of the local resources trained via an approved succession plan as part of an over-arching advocation to Corporate Social Responsibility.

In identifying the critical success factors and barriers to increasing local content in the general context (research objective 2) and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas services contractor industry (research objective 3), this particular theme was constructed from pertinent data fed back through questions 1, 3, 4, 5, 10, 11, 12, 13, 14, 16, 18, 19, 20, 21, and 22

Table 4.7 depicts a high level summarised response to support all these sub-themes as potential barriers to localising in the host country. The table also identifies if any of these sub-themes are perceived to be a driver to localisation and lastly, whether the barrier could, or could not be, mitigated over a period of time.

Table 4.7: Responses – Strategic Behaviour

Sub-Theme	Barrier	Driver	Time-lined
D1: Core Values	Yes	Yes	No
D2: Organisational Characteristics	Yes	No	No
D3: Strategic Delivery Success	Yes	No	No
D4: Salary and Benefits	Yes	No	No
D5: Social Responsibility	Yes	Yes	No
D6: Succession Planning	Yes	No	Yes
D7: Quality and Delivery	Yes	No	Yes

Source: Original

4.5.1 Core Values (D1)

The questions posed drew out this *emerging* factor which can be interpreted from the direct responses from the most influential managers within 'Oilco', as a real barrier to successful localisation of a local business entity. Feedback supports that a corporate's core values are important in the decision making to deliver business in a particular country. Indeed the Director of Africa Operations stated:

Respondent 7	*"I guess if you look at it from our standpoint, core values. The values that we have as a company don't always mirror the values of the community that we operate in. Being able to get that alignment there where you can actually make sure that we get to a place where our company values are upheld…that can have a positive impact on local communities"*

'Oilco' lives and breathes their core values and it is evident from the interview responses that the senior managers of the business will not compromise on these and should adequate homework reveal that perhaps they may impede business in a commercial or growth sense and ultimately mean that localisation would not be achievable then the senior management are prepared to concede that a local subsidiary is not worthwhile.

Respondent 3 supports this and states:

Respondent 3	*"If it wasn't played properly you might decide not to go, given that we have compliance standards in our ethics policy, integrity policy"*

Respondent 6 feels that a company should make a mark for itself in a particular country and deployment of a non-negotiable set of core values is a way in which to do this. Social Responsibility is a single core value of 'Oilco' and is discussed later in this thesis, but to make a mark for yourself in country means being able to deliver business across their full suite of core values.

The researcher draws upon an example during his time in Kazakhstan where senior management had an important decision to make and had to find a way to do 'the right thing' across the suite of core values. One thousand (1000) local workers had been deployed onto a contract by 'Oilco' but the client refused to pay for adequate health and safety supervision and the employees were at risk from safety perspective. A tough decision followed, (1) Do we walk away from the contract from an HSE core value and put 1000 local employees out of work which impacts on our Social Responsibility core value and in some respects with our Financial responsibility core value or, (2) do we invest and put our own unpaid supervision onto the contract. Option 2 was selected as 'the right' thing' to do in this case and the respect from the local community were unprecedented and the local entity is going from strength to strength.

This example is put forward as one of many where successful business in a local community is achieved through understanding how core values are aligned to that of the oil and gas operators and clients in the country of operation.

The researcher was invited to open up the Engineering Innovation Conference in Almaty, Kazakhstan in 2013 and took the opportunity to roll out the core values of 'Oilco' to solicit feedback on whether these were considered important to the local community.

The leading university, the Kazakh British Technical University (KBTU) senior academics were complimentary and encouraged by the advocation shown to growing the next generation of oil and gas knowledge in Kazakhstan. 'Oilco' went on to become the leading sponsor of the KBTU and a well-respected name in the services sector. This was a true reflection of the strength of core values in the local community.

Respondent 2 provides an interesting statement that the above story-telling and other responses from colleagues go some way in answering.

Respondent 2	*"Does that allow us to produce a business that is a quality business, with further growth potential that sits within the framework of our core values?"*

Respondent 2 went on to support that the core values and recognition of alignment in the local community could be a real barrier to localisation and growth of the business, and potentially impact safety and the integrity of operations and the local environment. Through an interpretation, respondent 2 is stating that if a company cannot do business in line with the core values then they would not do it.

Respondent 2	*"Beyond that we cannot guarantee safety of the operation of maintenance of the core values, therefore not going to do it"*

Respondent 1 supported the above views and stated a company has a good chance of getting it right and doing things in the right way if aligned to the core values of the corporate business.

There was no real theme exposed from the literature review with regard to the core values being a barrier to localisation but with adequate interest in this area from the interviews with senior oil and gas executives and managers, then this sub-theme has an important part to play in the strategic decision making process.

4.5.2 Organisation Characteristics (D2)

There was overwhelming support that this factor was a barrier to localisation. Organisation characteristics come in many shapes and sizes; however, the researcher sets it in the context of the shape, size, and culture of the corporate organisation and the reputation of being a serious competitor in terms of acting in a socially responsible manner in a particular country. For example in the case of respondent 1 when he replied:

Respondent 1	*"I think you mmm you know a company that is international…that has established in these locations before will have an understanding of how to enter a country…with sufficient back up and support and size, and processes, procedures and policies…a smaller company that has been successful in one particular area isn't necessarily as astute to cultural diversity"*

Respondent 2 and 3 draw on the need to be a well-established global company with a good reputation to be successful in starting up, growing, and delivering quality and performance during and after localising the business.

Respondent 2	*"Therefore, for us that's on one of the characteristics that you would like to think that people would say…well your likely to be good company to have in our environment because we know you're not just going to rape and pillage"*

The researcher can understand this feedback and from his own experienced observation recently in Africa there was a reluctance from a local client to accept that 'Oilco' would be able to comply with an 80% local content % versus 20% expat and fully expected a large volume of expats from day one which would render the local resources idle. In the oil and gas industry, when entering a new country it is a real challenge to convince the local community that you live up to your core values and high integrity mantle; it helps when you have legacy reputation from other countries to draw on.

Indeed this draws parallel with the culture of the corporate company mentioned earlier. Hailey (1993) also mentioned culture of the company and pressure from corporate HQ was a real driver for localisation and concluded by suggesting more strategic thinking and research is needed in this area.

Respondent 5	"I think it's all down to the culture of the company"

The oil and gas industry is a fast-track and highly competitive environment and as such it has arguably slipped into a culture whereby an organisation's characteristics inherently are patterned by long working hours. Lamki (1998) concluded that this along with several other obstacles in the private sector is a barrier to localisation, generally supporting the respondent's view that this culture (organisational characteristic) is preventing localisation.

Additionally, respondent 1 states, having pre-established localisation policies and processes for localisation programmes is pre-requisite to success and those without will present significant barriers to localise the workforce. Respondent 2 draws upon previous learnings as mitigation to this perceived barrier. Wong et al. (1999) concluded in saying that if localisation is important then the company should have a well-established set of practices to achieve the corporate goals before setting up a local entity in a new country. This work was conducted in China and the researcher finds parallels through the responses of the interviews.

Respondent 2	"…the more globalised you are, the more nationalised you are, the more confident you can do it and the more you learn"

Respondent 6 suggests that the size of the contract plays an important part and possibly argues that the characteristics of a company are maybe not so important if the contract set up in a particular country is small. However the researcher argues that to contemplate establishing a new entity in a new country would not be worthwhile unless the prize (large contract) was big in the first instance and suggests from respondent 6 statement below that there will be issues to contend with if not set up properly.

Respondent 6	"I guess the bigger the contract we have, the more we need (to be set up)…If it is a big contract and we're not set up properly to start with, then we're going to have issues"

Respondent 2 supports the conclusion by Selmer (2003) who found there was that international experience had a positive relationship with localisation and although this previous research was in the manufacturing industry there is

evidence that this is transferable to the oil and gas services industry. There was also evidence that the localisation process to a larger extent may be down to the parent company's characteristics.

Respondent 7 refers back to the core values as the main characteristic of the company that mitigates this perceived barrier to localisation. This of course was discussed earlier in this thesis.

In summary, the responses from the senior executives of 'Oilco' supports the conclusions from the literature review in several areas and that organisations characteristics are important sub-theme and perceived barrier to localisation.

4.5.3 Strategic Delivery Success (D3)

There was overwhelming support that this factor was a barrier to localisation. If you do not set yourself up with a clear vision and strategy then why would you expect to succeed in a new country and moreso nationalise it? Strategic Delivery Success is a sub-theme drawn from the literature responses in an oil and gas context although this context can mean, quite simply has the corporate company got a clear and well developed strategy in place either, (1) when going through the strategic decision making process prior to deciding to enter a new country or, (2) during set up of a new entity but before operations delivery.

Respondent 1	*"I think a business strategy is hugely important…to understanding the local business culture to enable you to get opportunities and actually establishing business"*
Respondent 3	*"Yes, in a sense, the business, absolutely…I think you need an objective, and that's part of your strategy…If you're objective is to be there a long time and set up a subsidiary of your company, then your strategy could contain things that will allow you to do that"*
Respondent 4	*"Yes, absolutely, if you don't have a strategy, then the chances are, you'll never implement any type of localisation plan"*
Respondent 5	*"Absolutely, yes…I think to be successful today, is that should be the vision. You tell the local people – guys you can run this company one day"*
Respondent 7	*"Business Strategy importance – Absolutely"*

The expletive 'absolutely' is used in most of the responses which makes it clear that adequate strategic planning is imperative for success of a local operation. The literature review exposed a theme around successful strategy which the researcher chose to change to be more reflective of the oil and gas senior expatriates responses; however the conclusion is the same in as much as a lack of clear vision and strategy is an impediment to localisation.

Indeed several of the academic papers researched highlighted this theme as a barrier to success (Hailey 1993; Wong and Law 1999; Selmer 2004; Fryxell et al. 2004; Forstenlechner 2009; Randeree 2009). From the literature review there is no bias to where this barrier is most prevalent and this cross-country transferability is cemented through the responses from the senior executives in the oil and gas industry.

There was no real evidence drawn from the review that suggested lack of strategic planning had a positive effect on localisation. Indeed, the researcher through previous experience has seen large and small entities struggle to set themselves up adequately in a country to the demise of the business, or in some cases (Kazakhstan/Africa) where the local entity has been fined/penalised for conducting business in a non-compliant manner, and in one particular case saw a large service company close their business entirely and exit the country.

In summary, evidence is stacked high from literature review and the response from the interviews allied with the researcher's experienced observation to have this perceived barrier to localisation as a sub-theme of Strategic Behaviour.

4.5.4 Salary and Benefits (D4)

Salary and Benefits inherently draw a lot of interest and this was evident from the interviews conducted indicating that this was a barrier to be considered under this main theme. However, the researcher argues that there are many contradictory opinions in this area.

The literature review exposed, in the Middle East (UAE, Oman for example), that wage differentials between the public and private sectors are a real barrier to the localisation targets due to high reservation of wages by locals (Al-Lamki 1998; Al Dosary et al. 2005; Swailles et al. 2011; Forstenlechner et al. 2012; Al-Waqfi

2014). It is important to note that Swailles et al. (2011) goes on to say that the oil and gas industry is unique in this respect and compensation is a lot higher in this industry. This aligns with the thinking and interpretation of the responses from the interviews and the researcher' experience in Italy, Nigeria, Gabon, Angola, Algeria, Russia, Sakhalin Island and Kazakhstan and support Swailles et al. (2011) conclusion in this respect.

Respondent 4 would say that making money is a primary factor for localising and the technical development probably comes as a necessity and would agree that salary may be a way of retaining resources but not really a way of fast tracking them. This was likely bourne out of the long assignment respondent 4 has had in the Caspian Region and the lack of experienced resources meant that inflated salaries had to be paid to locals to secure resources. This is supported by the response from respondent 6.

Respondent 6	"If there's a shortage, salaries go up and if there's shortage of people will offer more. It's supply and demand it's as simple as that"

Interestingly, respondent 6 had been employed in the Eastern Europe, Russian and Caspian Region for nearly 15 years, again, the locations with a relatively low number of experienced specialists in the oil and gas industry.

There is some support in this respect in the conclusion from Cohen (1992) who stated that in some cases increasing salaries for specialist (local) positions such as economists would be a way of retaining them. This approach is used in the oil and gas industry (respondent 2) in some locations where resources are scarce but the lack of adequate competency is mitigated through risk management and task managed operations. However there is a danger in acting in this manner which respondent 2 was keen to challenge having lived through experiences where high salaries were misaligned to the levels of experience or core competency of the individual.

Respondent 2	"If you end up creating a culture where you're paying people significantly above the social background you can quickly get to expectation levels that are inconsistent with the skill and competency levels…the expat should be planning to leave. The local is there for the long-term and therefore for that job to be sustainable, his or her salary benefits must be competitive in the local environment"

Driving down the cost base through reduction of expats is a real goal of the oil and gas industry who are competing in a highly competitive market.

Respondent 1	*"It is an important factor…typically expats are very expensive and doing business locally in a country you have local market conditions which are prevalent and you obviously have to compete with indigenous organisations so driving down your cost base is important"*

Driving down the cost base is important to all organisations whatever the industry in order to compete in the market against local independent operators and service contractors so arguably, the quicker you transfer the knowledge to expats then the quicker you will localise in the oil and gas context.

Respondent 1 goes on to say that sometimes benefit packages are not being made aware to the individual, they have a real unawareness in this area and this tends to result in them being driven by salary. If communicated to them in the right way, then respondent 1 perceives that this may change their mindset and drivers for higher salary. The researcher draws upon an example where a group of Kazakh local engineers were sent on an assignment to the UK for 4 months and came back to Kazakhstan to flourish into senior positions and this had a real positive influence on others who saw a real commitment from management in this respect, to localise positions as quickly as possible. Indeed some locals in the oil and gas industry are keen to work for a globally recognised company and move away from the independents in the country. These arguments and initiatives in some way support a local's desire for more than just a salary.

Respondent 1	*"I think in relative terms it is still seen locally as quite a lucrative position and currently above the mean mmm you know compared to you know, the indigenous companies"*

Respondent 3 draws the reader to another pitfall that has to be recognised by senior managers; this relates to losing your local personnel to other competitors having invested time and money in training them.

Respondent 3	*"By the time they got back (from overseas assignments) they would head off into the wild blue yonder because someone offered them more money"*

This of course is a risk but the researcher argues that the development of local content applies to the oil and gas knowledge base of the entire country and <u>not</u> just a corporate's organisation. The benefits of developing the oil and gas industry experience in the country will, over a period of time, benefit everyone and bring a state of equilibrium to salaries.

In comparing the interview responses with the literature in this area, there is adequate evidence to have this factor as a barrier to localisation.

4.5.5 Social Responsibility/Ethics (D5)

Social Responsibility was a popular theme and attracted a wholly positive response in relation to being a perceived barrier to localisation and it could be argued that perhaps via the core values, discussed earlier, that this is a primary factor that drives a business to localise. There was little evidence from the literature review that this was a major factor associated with localisation, but clearly in the context of core values, and in particular, 'Oilco', it was a very important factor. From the model presented earlier in Figure 4.5, it is clear that Social Responsibility (D5), Succession Planning (D6) and Quality and Delivery (D7) are related.

Over fifteen (15) years in the international environment has taught the researcher that a commitment to Social Responsibility and growth of a local resource base via a well-structured Succession Planning programme will have an effect on localisation and on the subsequent delivery or performance of the business. This is the reason for the model representation as portrayed.

It can be argued whether Social Responsibility/Ethics is actually a barrier and whether it should be considered a sub-theme and not lumped in with core values. Due to the emotive responses from the interviewees they need to be discussed further in this respect.

Respondent 2	*"I think for me it's about the sustainability of a business…not just the employment, but also the spinning off of paying local taxes, the ability for people to afford housing, the work we can do in terms of helping local communities"*
Respondent 3	*"I think it's being part of the local community, working with the local community and helping enhance the local communities lifestyles I suppose through ensuring people have work"*

Respondent 4	*"Social Responsibility to me is actually becoming part of the community you are working in"*

Respondent 6	*"For me it's about how the company works with the local, if it's the environmental body, in order to promote the company as well as helping that country develop"*

Respondent 5 makes an interesting comment that one has to be mindful because at the end of the day, a client is not going to pay us to be nice to people. This can be interpreted as meaning there is a tough balance to doing the right things when choosing to operate in someone else's country. From the core values discussion earlier, 'Oilco' has a commitment to their values and as such put Social Responsibility ahead of client business. This is the ethical thing to do in the organisation's view and in particular, the highly competitive oil and gas industry operating in developing countries where loss of reputation will have serious consequences.

Given the importance through evidence from the senior executives, the researcher considers this a primary <u>driver</u> for localising and will remove it from the perceived <u>barriers</u> and sub-theming which is summarised in the evolving framework that follows. Further support in this decision making is reflected in responses below.

Respondent 4	*"It should be an important driver, it should be one of the key factors during the strategic decision making process, I'm not convinced it always is"*

Respondent 2	*"Absolutely, (it is an important driver) it is in the extent that you were asked to do business where you were asked not to engage with the local humanities…that would be contrary to our core values"*

4.5.6 Succession Planning (D6)

This sub-theme drew a largely positive response from the interviews declaring that is was a perceived barrier to localisation and in particular if adequate attention was not paid to planning early enough in the process of setting up a new entity. Some academics (Potter 1989; Hailey 1996; Al-Lamki 1998; Wong & Law 1999; Madhi & Barrientos 2003; Law et al. 2004; Fryxell et al. 2004; Forstenlechner 2009; Randeree 2009; Swailles et al. 2011; Forstenlechner et al. 2012; Al-Waqfi & Forstenlechner 2014) concluded that 'local content planning' or 'recruitment and selection' were potential barriers to localisation. The researcher,

through his own experience and that of the respondents, recommend that these factors can be included in the sub-theme of Succession Planning, whereby locals are trained to succeed an expatriate on the road to localisation of a business unit. Indeed in the oil and gas industry the term Succession Planning is widely known.

Respondent 1 considers technical development as a key service that an organisation should provide in the oil and gas industry so the technical development into specialist roles promotes a sustained service provision. He goes on to state.

Respondent 1	*"I think it's really important that it is not looked at as not just in terms of achieving numbers…actually having a diversification of skillsets and really trying to work out how gaps in that can be developed and filled"*

Further positive responses and support of this being a barrier to localisation came from a number of the interviewees.

Respondent 2	*"I think it's important because without the plans it just becomes good intention"*
Respondent 3	*"Absolutely, I think it's one of the main things we should do as a company…the only thing I'd say is the HR quality and the plan needs to be appropriate for the country they operate in and needs to be delivered by people who understand it"*
Respondent 5	*"Yes, it's very important. Again, it's asking the management to really reach out the box. Reach out to a Kazakh and say you're going to be in X position in a couple of years…It's important, of course it's important and it's follow through"*
Respondent 7	*"Succession Planning, yes there is something there. My own view is HR administers the program but they should be run by technical people for technical training. I think trying to push that to HR to run, generally doesn't end up well"*

The above responses support the work of Wong and Law (1999), Fryxell et al. (2004) and Forstenlechner (2009) where they conclude if localisation is important then there should be a set of HR practices put in place to achieve this or indeed adequate planning through the right combination of elements.

Al-Lamki (2005), from research in Oman, considers training and development as the most important strategy for any corporate or subsidiary business and states

this could be synergised in any other industry in the private sector and this is validated through the responses from the oil and gas executives.

However, an interesting point was made by the CEO of 'Oilco' who states.

Respondent 2	*"But it depends where you start...look at Chad for instance the indigenous technical skill level is pretty low because lack of industrialisation so it would be unreasonable to think we can create in any reasonable time period, the skills that come through 11 years education, 4 years of tertiary education and 5 years' experience"*

Fayol-Song (2011) concludes that perhaps long-term strategies are more sustainable so arguably this is supporting the view of respondent 2. The researcher further interprets this response and concludes that it is key to understand the type of succession plans whether short term or long term or indeed whether it is possible to achieve localisation at all and derive a strategy based on this. If you don't you could fail. Al-Hamadi et al. (2007) concluded that there was no recognition of importance to linking HR plans to the business objectives and these practices are an antecedent to localisation success (Law et al. 2009). These studies were conducted in Oman and China but there is evidence of synergy with this work.

In summary, there is compelling evidence from academics, respondents and the researcher's experience, that the quality of implementation of succession planning is a perceived barrier to localisation in the oil and gas industry.

4.5.7 Quality and Delivery (D7)

There was compelling support from all respondents on the importance of quality and performance in 'Oilco'. Being a high integrity services contractor in the oil and gas industry demands an exceptional performance globally to deliver a quality service which is consistent and synergised throughout every country in which the company operates in. The researcher has gathered these responses under a sub-theme as a barrier in the context that an increase in local content may have an adverse effect on quality and performance and there is a need to find a balance that allows the business to deliver high quality or organisational excellence but still deliver on its commitment to localisation and deliver in a manner that is legal and within the policy of the government in which you are operating within. Figure 4.6 has been developed by the researcher to give a

pictorial portrayal from the interview responses relevant to objective 5 in assessing the key barriers that have a major impact on operational excellence, quality, and delivery. Moreso, how to balance these factors to achieve a desired quality and performance in 'Oilco' services delivery.

Figure 4.6: Balancing Quality and Delivery Model
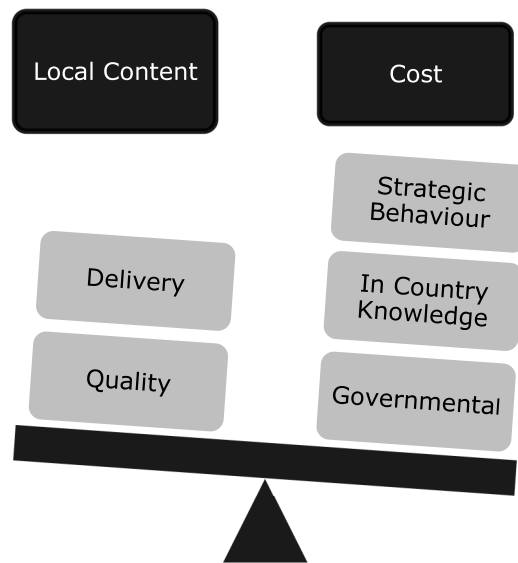
Source: Original

Potter (1989), although an old paper now, is referenced by many of the leading writers in the field of localisation in this context and discusses a balance of high quality and a nationalised workforce and although very relevant the researcher, argues that this model needs to be expanded through the interview findings of this work and through the researcher's many years as an experienced observer in several countries.

Respondent 4	*"It's that balance. What is important? Is it cost? Is it delivery? Is it performance?...because the cost of imposing these targets is far higher than the benefit"*

Respondent 4 in reference back to Figure 4.6 recognises the importance of cost vs. the percentage of local content and supports this balancing analogy and the need to know what the real contract or client drivers are to ensure that the

business can deliver to the customer's expectations in compliance with our own core values. He uses Angola in his reference as an example of a recent failing where localisation just could not be achieved due to extremely high cost. He goes on to say that if you had longer and money was not such a driver then you might be able to do it locally. Respondent 6 supports this time-lined view to localisation in her statement below.

Respondent 6	*"I think it's important we don't rush it. Take the time to train the people that we need to, to ensure they have maximum understanding"*

The researcher interprets this response in meaning localisation can be time-lined and the longer you take to ensure you have developed the skills adequately, then the better chance a company has in achieving the required level of operational excellence. This is further supported by the CEO of 'Oilco'.

Respondent 2	*"Providing we are not trying to rush through the door and fill roles that require certain competencies with people that clearly do not have them. So there is a potential there for performance to be impacted, but if managed carefully, it needn't be the case"*

Many of the responses from the interviews exposed that safety and the hazardous nature of the oil and gas business has to be recognised fully in the decision making regardless of where you are delivering the services or what country you are operating in.

Respondent 7	*"The industry we work in is a hazardous area, so to put people in a position without the competencies means you put people's lives at risk"*

Respondent 3	*"The most important thing for us is to deliver the quality of service because if we are working in hazardous areas we need to ensure the people we have got are competent to do the work"*

Respondent 3 went on to say that this was the most important factor in localisation of 'Oilco' and if the local resources are not competent enough you are always going to have a problem with the delivery. This supports the view that Bhanugopan & Fish (2007) who found that lack of skilled labour has a real impact on performance and extends this finding across borders. Sadi & Al-Buraey (2009) from their work in Saudi Arabia further supports that the fear that any gain from

replacing expats is offset by a decline in productivity, can be applied more globally.

Respondent 5	*"Cost reduction doesn't necessarily cover it because there is also a performance. It's quality"*

However, respondent 5 went on to say that there was some success in this area in the Caspian region. A local company had done some early engineering work and although they needed a little more supervision, it was a success. It can be argued that perhaps the cultural alignment between the home and host resources had been considered adequately during the planning process and this led to success in this instance? Ming (2005) concluded that performance can be impacted through a home and host country cultural misalignment.

The researcher though a seven year assignment in Kazakhstan measured the level of localisation in the engineering services delivery over several years by tracking historical information during execution of engineering projects up to $25 million value. The average percentage of local content for this type of work to be delivered to the quality required, and to ensure safety of personnel and the oil and gas assets, was around 70%. This provides further support to localisation being time-lined to ensure operational performance is achieved. This work attracted support in a response from respondent 1 when he was describing that there were some key skillsets that you absolutely need to be able to inject your business to make it a success.

Respondent 1	*"It can be an issue mmm particularly in the context of 'Oilco' where we have a high end engineering delivery…to make the local content numbers it can diminish our technical knowledge…it can have an impact on quality and delivery overall"*

Lam & Yeung (2008) presented a model that described a curvilinear relationship between the degree of localisation and performance and also concluded that a high degree of uncertainty in a country with a high localisation content impeded performance. Although this model was based on research conducted in China, there are some similarities and parallels with this research which concede that quality and performance are affected by the level of localisation.

Madhi & Barrientos (2003) concluded that 63% of managers in Saudi Arabia said that implantation of Saudization had a negative effect on performance. This negative effect is further validated from this study work in other countries.
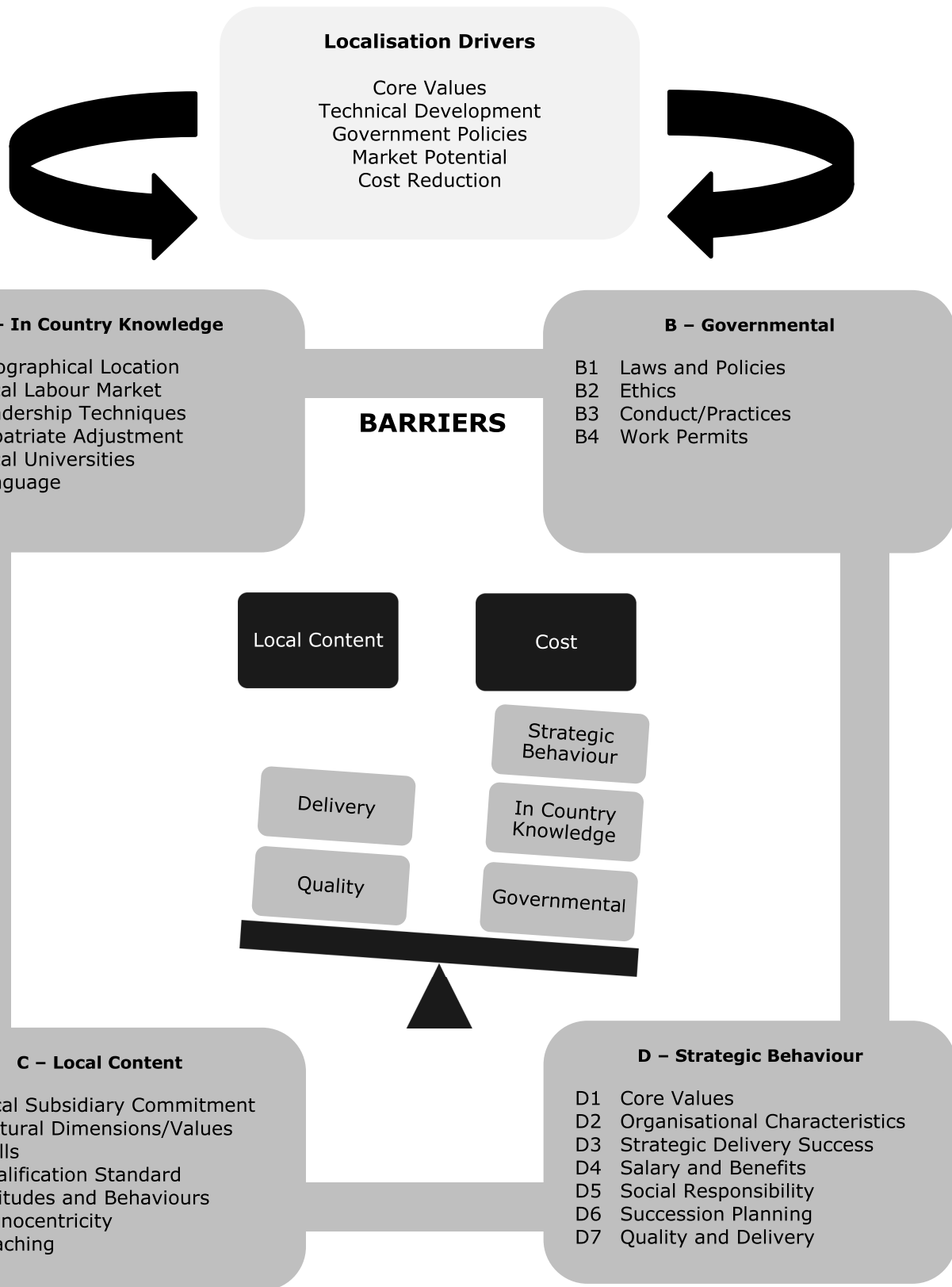
In summary, it is important to understand a client or customers drivers on individual contracts to enable the correct strategy to be adopted by a company who are setting themselves up as a new incumbent in a particular country. If the driver is quality and performance, which is of particular importance to an oil and gas industry, then this becomes a barrier to localisation which the findings clearly show is impacted as the percentage of local content is increased. This is compounded in countries with a high uncertainty.

4.6   Evolving Conceptual Framework

This descriptive analysis compared and contrasted views from the respondents (primary research) with the academic literature review (secondary research), integrated with views from the researcher who has been an experienced observer in many countries over several years.

This combined experience enables the researcher to develop an evolving framework shown in Figure 4.7. This framework can be used by senior oil and gas executives in their decision making, and in particular relation to the services contractors sector, where the highly competitive environment dictates that finding a balance between cost, quality and the level of localisation is important in maintaining a sustainable business and achieving operational excellence.

Figure 4.7: Evolving Conceptual Framework of Localisation Drivers and Barriers

Localisation Drivers

Core Values
Technical Development
Government Policies
Market Potential
Cost Reduction

A – In Country Knowledge

A1 Geographical Location
A2 Local Labour Market
A3 Leadership Techniques
A4 Expatriate Adjustment
A5 Local Universities
A6 Language

B – Governmental

B1 Laws and Policies
B2 Ethics
B3 Conduct/Practices
B4 Work Permits

BARRIERS

Local Content

Cost

Strategic Behaviour

Delivery

In Country Knowledge

Quality

Governmental

C – Local Content

C1 Local Subsidiary Commitment
C2 Cultural Dimensions/Values
C3 Skills
C4 Qualification Standard
C5 Attitudes and Behaviours
C6 Ethnocentricity
C7 Poaching

D – Strategic Behaviour

D1 Core Values
D2 Organisational Characteristics
D3 Strategic Delivery Success
D4 Salary and Benefits
D5 Social Responsibility
D6 Succession Planning
D7 Quality and Delivery

Source: Original

CHAPTER FIVE: CONCLUSION & RECOMMENDATIONS

5.0   Overview of Research Outcome

Table 5.1 provides a reminder to the reader of the research aim and objectives and the columns at the end are added to indicate whether the particular objectives have been adequately met post research study work, or indeed whether it is felt that some future work is required as a result of the findings.

Table 5.1: Research Outcome

AIM		Research Objective	Achieved	Future Work
To explore the localisation phenomenon and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation	1	To develop and validate a conceptual framework generated from the literature review	Yes	Yes
	2	To identify the 'localisation' critical success factors and barriers to increasing local content in the general context	Yes	
	3	To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry	Yes	
	4	To investigate localisation drivers and their importance to the engineering services contractor industry	Yes	
	5	To assess the key barriers that have a major impact on operational excellence, quality and delivery	Yes	Yes

Source: Original

The aim of the research was clear when the researcher set out on this journey to:

"To explore the localisation phenomenon and its drivers and barriers. It also attempts to provide a clear understanding of these drivers and perceived barriers to successful localisation."

The aim was developed to understand the localisation phenomenon in a general context in the first instance before researching the findings from the literature review through additional primary research in the oil and gas context and in particular relation to the engineering and technical functions of 'Oilco' who operates in the services sector.

This was achieved by directing the primary research towards an 'elite' sample of executives and senior managers in 'Oilco' who are considered experts in their own areas within the oil and gas industry. The researcher himself is a senior technical operations director in the oil and gas industry, and through experienced observation, provided a further blend of knowledge to the literature review findings and indeed the primary data analysis.

The aim was developed entirely from a current problem within the industry where the aspirations of the managers within the industry are finding it ever-increasingly difficult to localise their subsidiaries in line with their developed strategies.

Table 5.1 concludes that the objectives were met and also identifies that an opportunity exists for further research in two of the areas researched. The following sections critically discuss in detail the key findings from the primary and secondary research undertaken through this thesis to validate the concluded objectives. This analysis is presented in a coherent manner to reflect the five objectives of the work.

Section 5.6 goes on to review the research gaps exposed earlier in the thesis and provide a narrative and closure in addressing whether this work has filled these knowledge gaps.

The chapter makes further recommendations specific to the oil and gas services companies who have a keen interest in planning to, or setting up business subsidiaries, in new countries.

5.1   Research Objective 1

Chapter 2 derived a conceptual framework from the detailed literature review which met objective 1:

"To develop and validate a conceptual framework generated from the literature review"

A literature review stream spanning four decades was chosen in particular context of the localisation phenomenon and the researcher concluded this review when it was felt that a saturation point was being reached with regard to exposing the drivers and barriers to localisation in a <u>general</u> context across multiple industries and countries.

During the review it was apparent that there was not a vast literature that addressed (solely) what the drivers were for a company to localise a subsidiary business in a new country. However, the researcher supplemented this literature by adopting an interpretive view of the abundant literature on localisation barriers to develop a comprehensive conceptual framework prior to conducting the field research.

The conceptual framework has five main themes to capture the findings of the literature review. The thematic headings were further refined and derived by the researcher based on his own knowledge of the subject matter and allowed the review to follow a structured manner and in addition, enabled these themes to be taken forward to conduct further primary research.

From the field research, the conceptual framework was subsequently revised and validated in some cases. The five themes that make up the conceptual framework were retained but the framework has been refined and some of the critical success factors nomenclature has been revised for simplicity. Some of the factors that have not been validated from the field work have been removed on the basis of valid responses. There are a number of factors underpinning the main themes that have been added which were exposed during the field research in the context of oil and gas industry.

As an extension to objective 1, an evolved framework has been developed and there is evidence that this framework can be further tested and applied to other industries as part of future work.

The evolved framework has been adapted to reflect interrelationships between the four main themes; in-country knowledge, governmental, local content, and strategic behaviour. In addition, the framework portrays the need to balance the level of local content to achieve a desired quality or delivery in a strive for operational excellence.

This more comprehensive combination of factors, whether drivers or barriers, and their acknowledged impact on quality and delivery of a business service, give way to a framework which is considered more representative to the oil and gas services industry, but bourne initially from a generalistic view of the localisation phenomenon and as such validates closure of objective 1.

The model detail is discussed further in the following paragraphs which are associated with the research objectives 2, 3, 4 and 5.

5.2   Research Objective 2

The second research objective was:

"To identify the 'localisation' critical success factors and barriers to increasing local content in the general context"

There was no single paper found during the review that comprehensively collated a model of 'general' factors associated with the human resource, technical processes, company or market behaviour, or in-country factors, and how these were interrelated. The oil and gas industry is inherently 'fast-track' and senior executives/managers desire a framework that describes (quickly) a holistic set of factors for achieving successful localisation and to use this framework during the planning stages of the strategic decision-making process.

Chapter 4 provided a justification for the selected themes and went on to produce interrelationship models to make analysis more easily understood. Table 5.2 expands this work from Chapter 2 and develops a useful ready-reckoner for all executives and senior managers. This ready-reckoner compliments the

conceptual framework and provides the tools required by the senior executives/managers at the strategic planning stage and helps to justify the themes chosen by the researcher for this study.

Table 5.2: Localisation Themes – Manager's Ready Reckoner

In-Country Knowledge	Governmental
1. Can we do business in this country? 2. Is there an experienced local resource base? 3. Can we conduct business ethically? 4. Do we know how to get a multi-cultural team to deliver quality results? 5. Have we got the right mentors? 6. Do we understand the level of graduate knowledge? 7. Can we communicate at all delivery levels?	1. Do these laws and policies prevent us from delivering a quality and profitable business in that country? 2. Are these policies upheld in a fair manner? 3. Are the practices of the regional regulatory bodies aligned to the country's laws and policies? 4. Are we able to bring the correct level of competence into the country to fulfil our training plans and nationalisation programmes?
Local Content	**Strategic Behaviour**
1. Can we empower a local business entity through a committed in-country leadership team? 2. Do we understand the culture in the country we wish to enter? 3. Is there an existing skillset that we can draw upon in our area of expertise? 4. What is the level of education standard in that country? 5. Do the local resources exhibit the type of behaviour required for our business and will they interact with expats? 6. Do our competitors support localisation of that particular country?	1. Can we develop a strategy aligned to our core values and deliver business in that country? 2. Do our company's organisation characteristics influence our ability to localise in this country? 3. What key objectives do we need to include in our strategic plans? 4. Have we considered what impact our salaries may have on the local environment? 5. Are we ready to advocate social responsibility and support investment? 6. Are we planning to succeed and deliver local content targets? 7. Can we sustain a quality delivery and operational excellence and deliver local content targets?

Source: Original

This ready-reckoner provided the grounding on which to classify any new exposed barriers to localisation that were drawn from the field research conducted in the study as part of objective 3.

Following this approach it was found that the majority of the 'general' barriers to localisation drawn from the literature review were attributed to the strategic behaviour of the parent company, however, on closer examination it could be argued that some of the definitions used by academics overlap or can be considered duplicate by particular industries, such as the oil and gas industry.

Objective 2 was not intended to further critically analyse the resultant factors drawn from the literature review but merely to provide an exhaustive listing of 'general' barriers to localisation and provide these in an understandable and coherent manner prior to applying these in an oil and gas context. Closure of this objective can therefore be validated through the thematic detail provided from Figure 2.9: The Conceptual Framework of Localisation Drivers and Barriers.

5.3   Research Objective 3

The third research objective was:

"To identify and evaluate these barriers to 'localisation' and whether they prevent localisation targets being achieved by engineering services contractors in the oil and gas industry"

The main body of the field research is covered under this objective which strives to provide a more comprehensive, validated, and perhaps more useful and easy to understand framework for oil and gas services contractors who, by the nature of their business, are entering less developed countries and setting up subsidiary businesses to truly globalise the industry.

In conclusion, there are a few interesting comparisons between the pre and post-field research conceptual frameworks which are subject to further discussion.
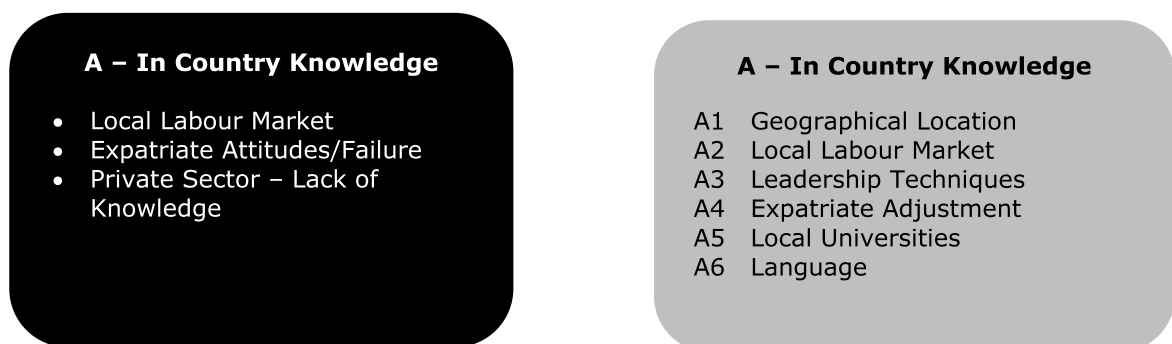
To remind the reader, the post-field research conceptual framework evolved from analysis of the data gathered from the 'elite' sample of executives and senior managers in 'Oilco' and the views of the researcher. However, for consistency

the grounded themes were not changed during this process and they were given identifiers 'A' through to 'D'.

5.3.1 In-Country Knowledge (A)

Figure 5.1 provides a comparison of the factors underpinning the 'in-country knowledge' theme with the black shaded box representing the barriers to localisation from the literature review and the grey box representing the evolved/validated factors post-field research.

Figure 5.1: Comparison of Factors: In-Country Knowledge

A – In Country Knowledge

- Local Labour Market
- Expatriate Attitudes/Failure
- Private Sector – Lack of Knowledge

A – In Country Knowledge

A1   Geographical Location
A2   Local Labour Market
A3   Leadership Techniques
A4   Expatriate Adjustment
A5   Local Universities
A6   Language

Source: Original

Four emerging factors were gathered from the primary research data: geographical location; leadership techniques; local universities, and language. There was no substantiation from the primary data gathered for the factor 'private sector – lack of knowledge' so this was removed.

Additionally, the factor 'expatriates attitudes/failure' was changed to 'expatriate adjustment' on the grounds that the failure or indeed the attitudes of an expatriate were considered to be bourne out of a larger stream of research by Black et al. (1991) who developed a Framework of International Adjustment. It is considered that expatriate adjustment provides a more easily understood phenomenon in the context of the oil and gas industry.

If we apply the relevant ready-reckoner questions from Table 5.2 it is concluded that the factors derived from post-field research can be readily aligned to the as questions shown in Table 5.3.

Table 5.3: In-Country Knowledge Questions & Factors

In-Country Knowledge	Relevant Factors
1. Can we do business in this country?	1. A1 – Geographical Location
2. Is there an experienced local resource base?	2. A2 – Local Labour Market
3. Can we conduct business ethically?	3. A1 – Geographical Location
4. Do we know how to get a multi-cultural team to deliver quality results?	4. A3 – Leadership Techniques A2 – Local Labour market
5. Have we got the right mentors?	5. A3 – Leadership Techniques A4 – Expatriate Adjustment
6. Do we understand the level of graduate knowledge?	6. A5 – Universities
7. Can we communicate at all delivery levels?	7. A6 - Language

Source: Original

5.3.2 Governmental (B)

Figure 5.2 provides a comparison of the factors underpinning the 'governmental' theme with the black shaded box representing the barriers to localisation from the literature review and the grey box representing the evolved/validated factors post-field research.

Figure 5.2: Comparison of Factors: Governmental

B – Governmental

- Regulations & Attitudes
- Foreign Aid Policies
- Legal Framework

B – Governmental

B1 Laws and Policies
B2 Ethics
B3 Conduct/Practices
B4 Work Permits

Source: Original

It can be concluded that generally the factors identified from the literature review are validated, however the data gathered from the field study interpreted

the factors more specifically under revised headings. It was considered more appropriate to separate 'regulations & attitudes' as these were clearly considered by the oil and gas 'elites' as completely different, but influential factors. It is also justified through the field research that 'legal framework' is more appropriately labelled 'laws and policies' It is therefore concluded that a factor labelled 'laws and policies' and 'conduct and practices' provides more supported factors.

Two emerging factors were gathered from the primary research data: Ethics; Work Permits. There was no substantiation from the primary data gathered for the factor 'foreign aid policies' so this was removed.

If we apply the relevant ready-reckoner questions from Table 5.2 it is concluded that the factors derived from post-field research can be readily aligned to the questions shown in Table 5.4.

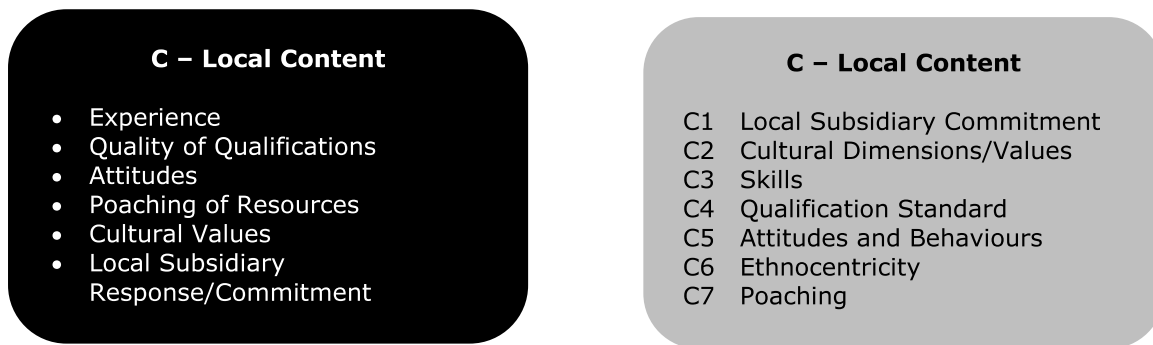**Table 5.4:** Governmental Questions & Factors

Governmental	Relevant Factors

1. Do these laws and policies prevent us from delivering a quality and profitable business in that country?
2. Are these policies upheld in a fair manner?
3. Are the practices of the regional regulatory bodies aligned to the country's laws and policies?
4. Are we able to bring the correct level of competence into the country to fulfil our training plans and nationalisation programmes?
	1. B1 – Laws and Policies
	2. B2 – Ethics
	   B3 – Conduct/Practices
	3. B3 – Conduct/Practices
	   B4 – Work Permits
	4. B4 – Work Permits

Source: Original

5.3.3 Local Content (C)

Figure 5.3 provides a comparison of the factors underpinning the 'local content' theme with the black shaded box representing the barriers to localisation from the literature review and the grey box representing the evolved/validated factors post-field research.

Figure 5.3: Comparison of Factors: Local Content

C – Local Content

- Experience
- Quality of Qualifications
- Attitudes
- Poaching of Resources
- Cultural Values
- Local Subsidiary Response/Commitment

C – Local Content

C1 Local Subsidiary Commitment
C2 Cultural Dimensions/Values
C3 Skills
C4 Qualification Standard
C5 Attitudes and Behaviours
C6 Ethnocentricity
C7 Poaching

Source: Original

It can be concluded that generally the factors identified from the literature review are validated, however the data gathered from the field study interpreted the factors more specifically under revised headings. It was considered more appropriate post analysis to revise the factors of 'cultural values', 'attitudes', 'local subsidiary response/commitment', and 'experience' to read 'cultural dimensions/values', 'attitudes and behaviours', 'local subsidiary commitment', and 'qualification standard'. These sub-themes were substantiated from the field research and as such more appropriate in the oil and gas industry context.

One emerging factor was gathered from the primary research data: Ethnocentricity.

If we apply the relevant ready-reckoner questions from Table 5.2 it is concluded that the factors derived from post-field research can be readily aligned to the questions shown in Table 5.5.
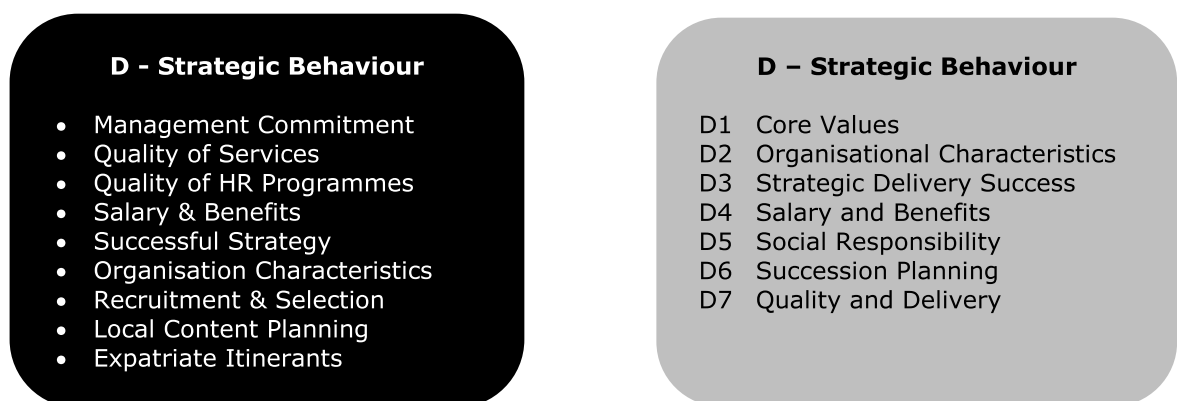
Table 5.5: Local Content Questions & Factors

Local Content	Relevant Factors
1. Can we empower a local business entity through a committed in-country leadership team?	1. C1 – Local Subsidiary Commitment
2. Do we understand the culture in the country we wish to enter?	2. C2 – Cultural Dimensions/Values
3. Is there an existing skillset that we can draw upon in our area of expertise?	3. C3 – Skills C4 – Qualification Standard
4. What is the level of education standard in that country?	4. C4 – Qualification Standard
5. Do the local resources exhibit the type of behaviour required for our business and will they interact with expats?	5. C5 – Attitudes and Behaviours C6 – Ethnocentricity C7 - Poaching
6. Do our competitors support localisation of that particular country?	6. C5 – Attitudes and Behaviours C7 - Poaching

Source: Original

5.3.4 Strategic Behaviour (D)

Figure 5.4 provides a comparison of the factors underpinning the 'strategic behaviour' theme with the black shaded box representing the barriers to localisation from the literature review and the grey box representing the evolved/validated factors post-field research.

Figure 5.4: Comparison of Factors: Strategic Behaviour

D - Strategic Behaviour

- Management Commitment
- Quality of Services
- Quality of HR Programmes
- Salary & Benefits
- Successful Strategy
- Organisation Characteristics
- Recruitment & Selection
- Local Content Planning
- Expatriate Itinerants

D – Strategic Behaviour

D1 Core Values
D2 Organisational Characteristics
D3 Strategic Delivery Success
D4 Salary and Benefits
D5 Social Responsibility
D6 Succession Planning
D7 Quality and Delivery

Source: Original

It was interesting to note that 'management commitment' did not really manifest itself with regard to the parent company context, in the responses from the oil and gas 'elite' sample. However, it did from a local subsidiary perspective which was concluded earlier. A further deep-dive does however suggest that commitment of the parent company management is portrayed through the 'core values' factor where it is substantiated from the analysis that every manager has a mandatory obligation to conduct business in line with the company's core values, and not advocating these results is a real barrier to conducting business in a developing country. Core Values was a recurring theme throughout the primary data analysis and therefore 'management commitment' in this context has been removed from the evolved conceptual framework.

It was considered more appropriate, post analysis, to revise the factors of 'quality of services', and 'successful strategy', to read 'quality and delivery', and 'strategic delivery success'. These labels were substantiated from the field research and as such more appropriate in the oil and gas industry context. Additionally, through substantiation and knowledge of the oil and gas services industry it is more appropriate to gather 'quality of HR programmes', 'recruitment & selection', and 'local content planning' under the post-field research category 'succession planning' which again is an interpreted recurring theme from the data analysis.

Two emerging factors were gathered from the primary research data: Core Values; Social Responsibility. However there was no substantiation from the primary data gathered for the factor 'expatriate itinerants' so this was removed.

If we apply the relevant ready-reckoner questions from Table 5.2 it is concluded that the factors derived from post-field research can be readily aligned to the questions shown in Table 5.6.

Table 5.6: Strategic Behaviour Questions & Factors

Strategic Behaviour	Relevant Factors
1. Can we develop a strategy aligned to our core values and deliver business in that country? 2. Do our company's organisation characteristics influence our ability to localise in this country? 3. What key objectives do we need to include in our strategic plans? 4. Have we considered what impact our salaries may have on the local environment? 5. Are we ready to advocate social responsibility and support investment? 6. Are we planning to succeed and deliver local content targets? 7. Can we sustain a quality delivery and operational excellence and deliver local content targets?	1. D1 – Core Values 　 D5 – Social Responsibility 2. D2 – Organisation Characteristics 3. D3 – Strategic Delivery Success 　 D7 – Quality and Delivery 4. D4 – Salary and Benefits 5. D1 – Core Values 　 D5 – Social Responsibility 6. D3 – Strategic Delivery Success 　 D6 – Succession Planning 7. D3 – Strategic Delivery Success 　 D4 – Salary and Benefits 　 D6 – Succession Planning 　 D7 – Quality and Delivery

Source: Original

From Tables 5.3 to 5.6 it is clear that a comprehensive set of localisation barriers in the context of the oil and gas industry has evolved/been validated by-post field research and concludes that the objective 3 has been met.

5.4   Research Objective 4

The fourth research objective was:

"To investigate localisation drivers and their importance to the engineering services contractor industry"

It was appropriate at the time to take an interpretive view of the drivers to localisation in a <u>general</u> context in parallel to investigating the barriers to localisation; this was conducted through the literature review in Chapter 2 and Figure 5.5 provides a comparison of the factors underpinning the 'localisation drivers' theme with the black shaded box representing the drivers to localisation from the literature review and the grey box representing the evolved/validated factors post-field research.

Figure 5.5: Comparison of Localisation Drivers

Localisation Drivers

- Local Content Policies
- Cost Reduction
- Technical Development
- Corporate Strategy
- Cultural Alignment
- Local Market Knowledge

Localisation Drivers

Core Values
Technical Development
Government Policies
Market Potential
Cost Reduction

Source: Original

It could be argued that the drivers to localise a business subsidiary would be similar whatever industry you are applying it to and this was found to be true given that the drivers that were exposed from the literature review as being key: Cost Reduction; Technical Development; Local Content Policies, attracted a lot of attention from the executives and senior managers interviewed from within 'Oilco'.

The data collected drew parallels typical within the oil and gas industry which is highly competitive where there is always a need to drive down costs to become more competitive and the safety of people and the oil and gas assets, including the environment, is paramount to success and reputation of a company.

In summary the following drivers identified from the literature review were validated during the field research in the context of the oil and gas industry:

- Local Content Policies – however, as substantiated from the field research this is more appropriately labelled Government Policies in the evolved conceptual framework;

- Cost Reduction;

- Technical Development – this includes cultural alignment and social responsibility drivers that were drawn from the literature review;

- Local Market Knowledge – however in a general context that can be applied through substantiation to the oil and gas industry and this has been labelled under Market Potential'

Two emerging factors were gathered from the primary research data: Core Values; Market Potential. These emerging drivers allied with a comparison and contrasting of drivers found in the literature, and subsequently validated through the field work, concludes that objective 4 has been met.

5.5   Research Objective 5

The fifth research objective was:

"To assess the key barriers that have a major impact on operational excellence, quality and delivery"

This objective was addressed as a parallel activity during the literature review and primary research. All of the oil and gas executives and senior managers validated that the importance of quality and performance was paramount in 'Oilco'. Being a high integrity services contractor in the oil and gas industry demands an exceptional performance globally to deliver a quality service which is consistent and synergised throughout every country in which the company operates in. The researcher has gathered these responses under a sub-theme as a barrier in the context that an increase in local content may have an adverse effect on quality and performance and there is a need to find a balance that allows the business to deliver high quality/operational excellence but still deliver on its commitment to localisation, and deliver in a manner that is legal, and within the policy of the government in which you are operating within.

From the literature review, the quality of services was exposed as a barrier to localisation under the theme of strategic behaviour. This was substantiated from the above. In summary, if the percentage of local content increases then it has a perceived negative effect on quality and delivery of the service.

It is therefore a fair argument to conclude that quality and delivery or indeed operational excellence can be impeded by a combination of factors or barriers to localisation which can come from any of the four main themes discussed earlier. By illustration, any of the seven factors listed under 'local content' theme can have an impact on local content percentage and subsequently this level of local content will have a proportional cost on the premise that local labour is a lower cost.

The work outlined by the researcher in Chapter 4, section 4.5.7 helps support this through Figure 5.6. This localisation timeline and hypothesised local content trending was developed from historical information over a number of years as an experienced observer. The information gathered was derived from actual levels

of local engineering resources vs. overall engineering team within an engineering subsidiary of 'Oilco' in the Caspian Region. The number of manhours spent by locals producing engineering deliverables on engineering projects was recorded and presented in a graphical format every month and it soon became evident that it was difficult to achieve greater than 70% local content in the delivery without if having some adverse effect on the quality of the deliverables produced.

Figure 5.6: Localisation Timeline – 'Oilco'
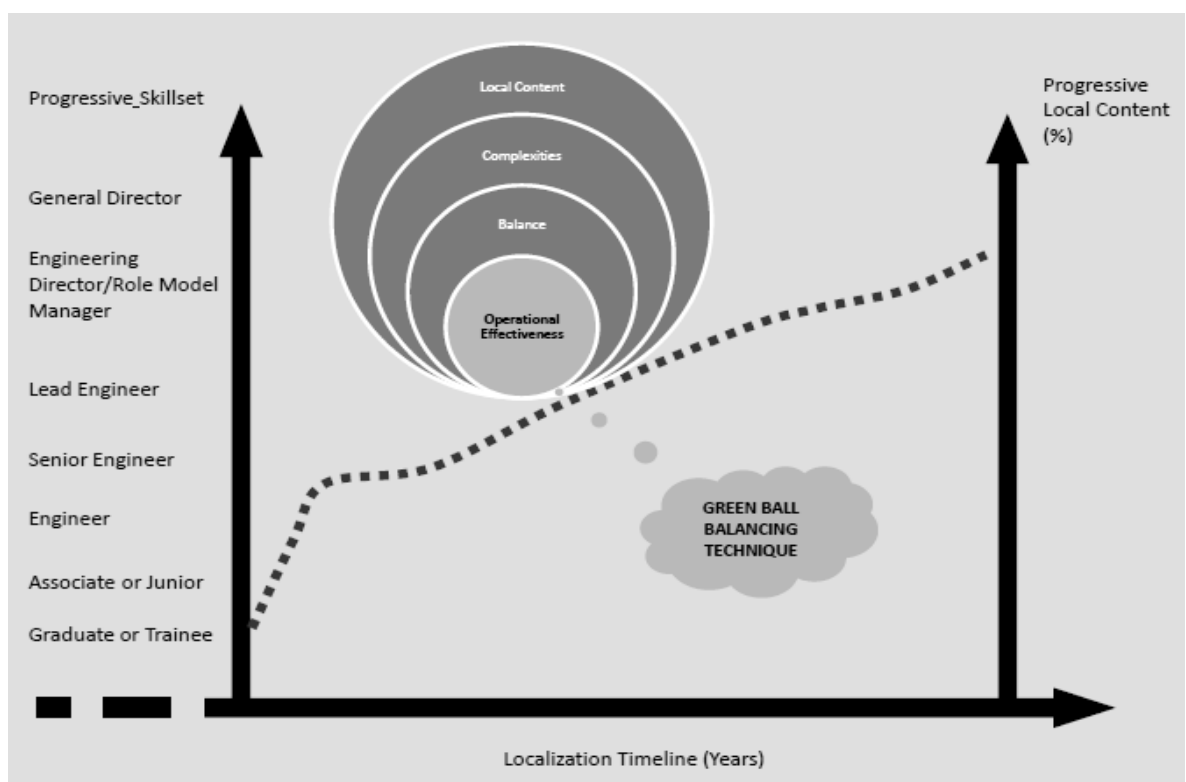
Source: Original

Additionally, it was found during this measuring process that localization is achieved fairly promptly in the lower grade engineering roles: associate or junior, engineer, senior engineer. Arguably, this would be expected given the lower level of training needed to develop these roles. However, there is a dramatic slowdown beyond this senior engineering category as we proceed to principal or lead engineers or indeed into the engineering management roles and beyond.

The aspirations of 'Oilco' in localisation terms were simply not being met and this 'flat-lining' of local content has triggered further investigation through this thesis, and beyond.

Indeed the researcher used this model during engagements with the local academic institutes (KBTU) to describe how quickly localisation occurs in the engineering function of an oil and gas services industry in the Russia and Caspian region. The work the researcher completed during his assignment has since been measured in other countries in Africa, and validated. This model and the hypothesised timeline is fairly well supported from the responses back from the senior executives and managers who perceive localisation to be a time-lined process who declare that operational excellence, through quality and delivery has to be balanced with the level of local content. The model also indicates that the complexities of the localisation barriers are a key understanding throughout the process.

From the field research data analysis and the evolved conceptual framework, objective 5 has been met through the identification of factors that have an influence on quality and delivery or operational excellence and these clearly underpin the 'local content' theme as you would expect, namely:

- C1 – Local Subsidiary Commitment;

- C2 – Cultural Dimensions/Values;

- C3 – Skills;

- C4 – Qualifications Standard;

- C5 – Attitudes and Behaviours;

- C6 – Ethnocentricity

- C7 - Poaching

However, during this research it is evident, and substantiated, that the situation is far more complex than hiring experienced local resources; one must look beyond this and consider the inherent dynamics that are not directly associated with the local individuals themselves and reach for a balance between the other

inherent barriers identified; in-county knowledge, governmental; strategic behaviour.

This balance of local content versus quality, delivery, and cost, as substantiated from the field research is portrayed on the evolved conceptual framework and is at the heart of the framework. It is further portrayed in Figure 5.7 which has been developed to explain how a business may consider how a local content strategy should look bringing in the main factors identified in this field work.

Figure 5.7: Local Content Strategy
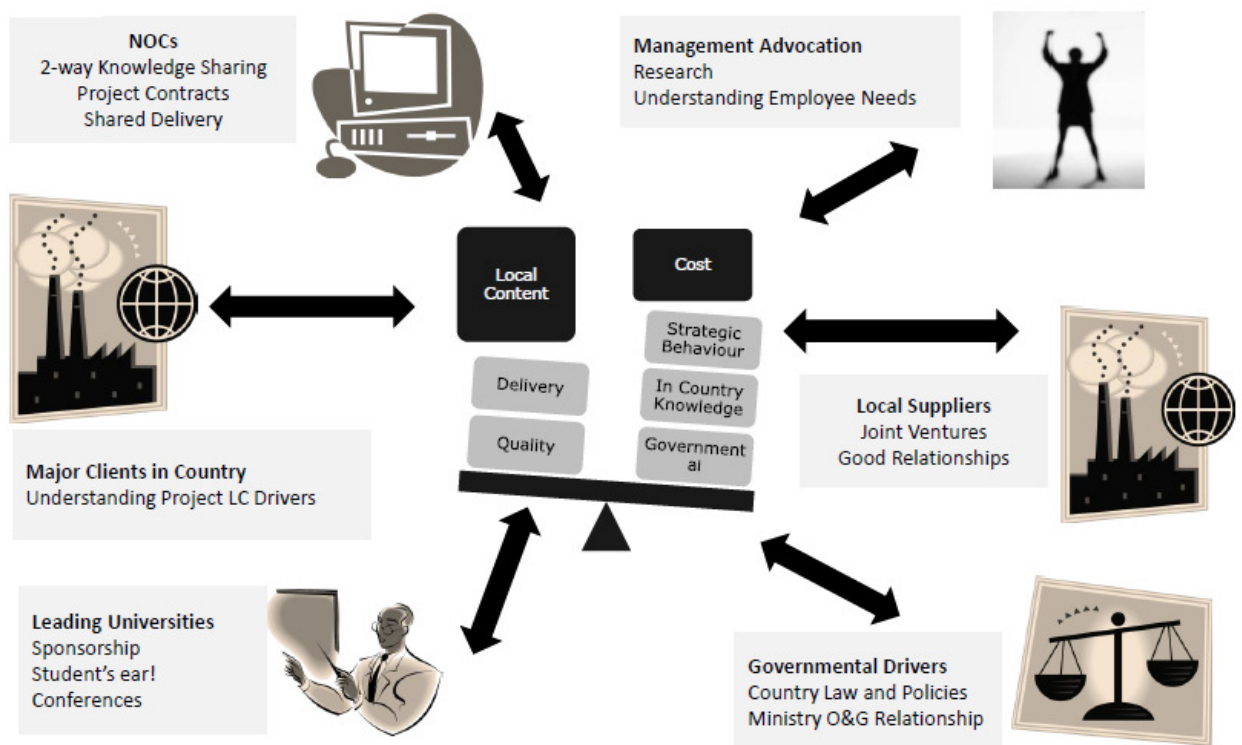
Source: Original

In summary, the investigation of objective 5 has exposed an opportunity for further research to be carried out that can investigate and develop weightings across these four identified localisation barrier themes and provide recommendations with regard to an optimised balance that maintains an optimised operational excellence within a subsidiary oil and gas services contracting business.

5.6   Review of Gaps in Literature and Future Work

Table 5.7 has been reproduced from Chapter 2 to provide a summary of post-field research comments which are relevant to the research gaps exposed during the literature review.

Table 5.7: Review of Gaps in Literature

#	Description	Post Research review Comments
1	There is a lack of research on localisation of lead technical functions or engineering roles – current literature focuses on localisation of Senior Management Positions and exclude oil and gas industry context	Gap has been addressed through this field research which is specific to an engineering and technical services contractor in the oil and gas industry and covers all roles whether management or engineering
2	There is a lack of research on levels of staff localisation versus a firm's performance, and no research found in the context of a private sector services organisation	Gap has been partially addressed; this field work is specific to private sector and provides a model on levels of engineering staff localisation vs. performance – concludes an opportunity for further research in this area
3	There is no single research article that attempts to produce a composite model of drivers and barriers to localisation	Gap has been addressed through the development and validation of a conceptual model
4	There is no industry specific research which investigates: • The drivers to why an oil and gas services chooses to localise a subsidiary part of a business in a developing country? • The localisation barriers that an oil and gas services contractor must consider during their strategic decision making process	Gap has been addressed through this field research which is specific to the oil and gas services sector and identifies, validates and updates a conceptual model of localisation drivers and barriers
5	There is a lack of research which addresses barriers to localisation in the context of a nationals viewpoint, generally there is a bias towards expatriate views	Gap has been partially addressed; the interview guide included specific questioning with regard to the attitudes of locals, however there is an opportunity to target a further sample of local management with the question set used in the field research

Source: Original

The description of the gap has been taken directly from the literature review gaps identified in section 2.6 of this work. A column has been added to capture the post field work comments made by the researcher. Table 5.7 provides a summary of where the gaps have been addressed, whether fully or partially, and what the possible directions of future research are, which has emerged from this study.

The first gap identified has been fully addressed through the primary research carried out via the 'elite' sample of executives and senior managers who are respected and well informed employees of 'Oilco'. By definition, 'Oilco' is an engineering and technical services contractor who has operated in the oil and has services sector for several decades. As such, the localisation phenomenon in a general context, as concluded in the conceptual framework of localisation factors, has been fully validated through this field work in the context of the oil and gas services industry.

The second gap has been partially addressed through this field work. Again, by definition, 'Oilco' operates in the private sector and as a result the findings of this work and the evolved conceptual framework is fully representative of the private sector perspective on the localisation phenomenon. The field work returned a compelling set of responses on the importance of quality and delivery/performance and the effect the percentage of local content has on operational excellence. There is a dearth of research in this area although the primary data gathered on this research journey validates and adds to the work concluded on the identification of factors that affect quality and delivery. Objective 5 has exposed an opportunity for further research to be carried out that can investigate and develop weightings across the four identified localisation barrier themes: In-country Knowledge; Governmental; Local Content; Strategic Behaviour, to test and provide recommendations with regard to an optimised balance that maintains an optimised operational excellence within a subsidiary oil and gas services contracting business.

The third and fourth gaps combined have been fully addressed and through this work, a holistic set of both localisation drivers and barriers has been generated and depicted on a conceptual framework that can be used by senior managers

and executives of oil and gas services contractors during the early stages of the strategic decision making process.

The fifth gap was partially addressed through this field work. The interview guide developed by the researcher considered the 'expatriate' biased view to date within the current literature and developed specifically worded questions to tease out responses in the context of both expatriates and perceived local's attitudes and their cultural beliefs with respect to localisation policies. However, the researcher identifies an opportunity in this respect target a similar sized sample of local managers across a number of subsidiaries to further validate or develop the conceptual framework of localisation factors.

5.7   Recommendations for Implementation

This study has dealt with the localisation phenomenon from a <u>corporate strategic perspective</u> which has enabled the researcher to conclude this particular study with a complete understanding of the drivers and barriers of localisation to present these in the form of a conceptual framework and provide a solid footing for senior executives and managers who are the decision makers of the oil and gas industry and will decide on any prospective implementation and inclusion in the operational planning phase of nationalisation policies. The following methodology is proposed as a guide for the implementation of the localisation framework of drivers and barriers framework in engineering and technical delivery functions of oil and gas services organisations:

- Identify a set of goals that localisation aims to achieve for an organisation;
- Measure these goals against the current goals and provide a gap analysis model for any intended changes;
- Obtain top management support and commitment to localisation and prepare for change;
- Understand the current status of localisation policies and implementation in the organization. This includes assessing the status of the organisational culture, people, technology, and organisational structure in facilitating localisation policies as well as the status of knowledge acquisition, development, distribution, measurement and review;

- Initiate a long-term localisation strategy to achieve the identified goals. The localisation strategy should aim to identify and demarcate localisation knowledge in various areas and generally adopt the strategic plan in Table 5.8.

Table 5.8: Implementation Strategy

Step	Description	By
1	Set Localisation priorities	CEO/Board of Directors
2	Create a team and/or identify the roles and responsibilities of each stakeholder	CEO/Operations Director
3	Raise awareness of localisation among regional and function specific employees	Operations Director
4	Strive to create the required infrastructure to facilitate the planning of localisation at the early stages of strategic planning	CEO/Operations Director
5	Roll out the localisation framework of drivers and barriers	Operations Director
6	Roll out the localisation themes – Manager's Ready Reckoner	Operations Director
7	Identify a set of goals that localisation aims to achieve for an organization	Operations Director/Regional Directors etc.
8	Measure these goals against the current goals and provide a gap analysis model for any intended changes	Operations Director/Regional Directors etc.
9	Initiate a long-term localisation plan to achieve the identified goals. This should aim to provide a consistent and structured format in line with the themes of the localisation framework of factors	Regional Directors/Head of Technical Functions
10	Develop plans and objectives to improve weak areas of the localisation policy. These need to be associated with Key Performance Indicators.	CEO/Operations Director
11	View progress and adjust as required	Regional Directors/Head of Technical Functions

Source: Original

5.8   Research Contributions

This study may claim three contributions: ***knowledge, methodological*** (research approach as an experienced observer) and ***policy-making.***

This study appears to have a contribution to ***knowledge*** through the evolved conceptual framework of localisation. In terms of how successful the research process has been, it is the researcher's belief that it has provided the first comprehensive framework of localisation drivers and barriers in the context of the oil and gas services contracting industry. It has thus succeeded in developing a holistic conceptual framework which could act like a directional indicator for oil and gas services contractors to move towards. In light of the normative nature of this research for MNC services contractors in the oil and gas sector organisations, it is important to realise that the research findings also provide a normative function for the services contractors who choose to globalise through the development and sustainability of subsidiary organisations in less mature countries.

A ***methodological*** contribution is worth noting since the researcher acted as an experienced observer during the process of this research. No doubt, industrial experience of the research and his access to the senior management has been one of the key contributing factors to a successful completion of the study.

The research has validated and extended a framework of localisation drivers and barriers around which a firm needs to mould its local content development strategy. These principles could be used as criteria for oil and gas services contractors in planning and developing a strategy which maximises the local content but not to the detriment of quality and delivery of the services provided.

In addition, this study widens the understanding of the localisation phenomenon in engineering and technical functions of oil and gas services organisations, and the different factors that affect this phenomenon.

Finally, one can argue that this study has made a contribution to the **policy makers** who provided access to the researcher. The findings of this study will provide a better and clear understanding of localisation and its drivers and barriers. This study has generated a list of localisation factors which will aid oil and gas executives, senior managers or lead engineers in their decision making and setting strategies for localisation in a highly competitive and volatile environment.

The research output in the form of an evolved conceptual framework is valuable to oil and gas services contractors who already operate as subsidiaries in a developing country. Such companies can revisit their intended localisation strategies and plans to measure themselves against a validated framework of localisation factors, or indeed draw synergies to problems which they may already be exposed to in a country to impose mitigations that can be derived from this framework. Similarly, for oil and gas services contractors who might be wanting to enter a country for the first time, this framework of localisation factors and Manager's Ready Reckoner toolset can be applied at any strategic decision making stage or during development of much-needed strategic business cases.

Senior management might organise workshops and seminars for their managers who are taking responsibilities of overseas operations, i.e., operational benefits to oil and gas services contractors and indeed to the growth and development of local resources globally. Close cooperation with the local universities, possibly via presentation of findings, or seminars, will ensure that the knowledge in transferred to the local community and to the benefit of the future engineers and indeed the oil and gas industry in the countries of operation.

5.9   Research Limitations

Although this study has successfully accomplished its research aim to explore the localisation phenomenon and its drivers and barriers and attempt to provide a clear understanding of these drivers and perceived barriers to successful localisation, it is important to recognise that it also has its own limitations. These limitations, in some form, have been presented in some cases within the individual chapters of this thesis, and will now be summarised.

Of course, every research objective, methodology, and set of methods have their own limitations but, by making them explicit, further research opportunities can be identified.

1. Reflecting upon the importance of choosing relevant conflicting and corroborating extant literature for this type of research, the core limitations of this research could be identified around the lack of literature in certain areas. More typically, the lack of literature in the context of the oil and gas industry and critique of the private vs. public sector industries. One of the main literature areas which could have been used more extensively is around the effect the level of localisation has on the quality and delivery of the services provided, however, there is little evidence to draw upon in this respect but the provision of a conceptual framework, an output from this work, provides a platform for this further research to be carried out.

2. A further limitation of this study is its capacity to generalise the localisation phenomenon beyond the chosen case study. This generalisability problem does not only arise from the limited number of case studies, but also from the single oil and gas industry from which the case study has been drawn. It could be argued that the emergent conceptual framework may be considerably changed if the industrial focus was changed to manufacturing, for example. The different internal and external pressures of other industries would no doubt produce new perspectives on the conceptual framework. However, in stating these limitations, it is important to realise that the researcher provided an exhaustive literature review to draw on or expose all localisation factors from a number of different countries, industries, and both private and public sectors, and argues that the holistic framework generated provides a fair representation of localisation drivers and barriers and these are transferable across industries.

3. In terms of the research validity, a major limitation is around the retrospective nature of ascertaining the past strategy of 'Oilco'. As this method is totally dependent upon recall, respondents tend to rationalise past irrational incidents. Although the author has recognised these phases

as more emergent in time, only a longitudinal study would realise a core assumption of this research.

4. Other limitations of this research revolve around some weaknesses of the different methods used. In the case of the exploratory interviews, a key limitation is around the time consuming nature of the open-ended grounded theory analysis. For a doctoral researcher, with little prior experience of such a complex process, this can prove frustrating and may not lead to closure due to saturation. In contrast, for the questionnaire and thematic interview methods the limitations are around data collection and the bias due to poorly constructed questions, response bias, poor recall, or indeed reflexivity, where the interviewee gives the interviewer what he/she wants to hear. However, in mitigation of these arguments the researcher, as an experienced observer for the duration of his work, constructed the question guide directly from the detailed secondary data exposed from the literature review and although he targeted a single case study organisation, was able to obtain access to 'role models' within the organisation who were able to provide feedback without any secondary bias.

The research opportunities, arising from these limitations are used as inputs, where appropriate, and presented in section 5.6 in the form of post research review comments to address the gaps exposed in the literature.

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APPENDICES

APPENDIX 1: INFORMATION SHEET & CONSENT FORM

Study Purpose
As partial fulfilment for Doctor of Business Administration (DBA) at Robert Gordon University, I have to carry out a research study. The study considers Balancing Organisational Effectiveness through Understanding and Managing the Complexities of Integrating Local Content in the Energy Sector.

Benefits of Participating and Why
Your input through gathering primary research data is important to my study so that I may ensure that a variety of data has been gathered from a variety of Senior Business Managers or Executives, which will in turn create a more substantial and representative sample size and will help further the body of academic research on my topic. You have been asked to participate because you are suitable to provide data for my study as a Senior Manager or Executive in the Oil and Gas Services Industry.

Do you have to take part?
No, participation is voluntary. I ask that you please sign the consent form attached hereto to confirm your participation. You have the option to withdraw before my study commences or after my data collection has started.

Will your participation in the study be kept confidential?
Yes. I will ensure anonymity to your identity within the thesis. Any quotations used will be adequately disguised in their reproduction.

What will happen to the information which you give?
The data will be kept confidential for the duration of the study. On completion of the thesis, they will be retained for a further six months and then destroyed.

What will happen to the results?
The results will be presented in the thesis. They will be seen by my supervisor and a second marker. The thesis may be read by future students on the course and will be available electronically from the academic institution's repositories.

What are the possible disadvantages of taking part?
There are no negative consequences for you in taking part.

Contact?
If you need any further information, you can contact me: Jeff McDonald, Email jeff.mcdonald@woodgroup.com.

If you agree to take part in the study, please sign the consent form overleaf.

[Over…

Participant Consent Form

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I have been approached and asked to participate in this research study and am participating voluntarily.

A brief overview of the research, the purpose and nature of the study has been explained to me prior to the interview commencing.

I give permission for the researcher to record the interview discussion on iPhone.

I understand that I can withdraw from the study, without repercussions, at any time, whether before it starts or whilst I am participating.

I understand that anonymity will be ensured at all times and any extracts will be disguised if quoted in the researcher's thesis, or any subsequent publications.

I agree to quotation/publication of extracts from my interview ☐

I do not agree to quotation/publication of extracts from my interview ☐

Signed   …………………………………………………………..

Date   …………………………………………………………..

APPENDIX 2: INTERVIEW GUIDE

Drivers for Localisation

Q1   In your opinion, what would you consider to be the main drivers in developing growth strategies for local subsidiaries?

Q2   Can you tell me about the local policies? Government Policies?

Q2a   Tell me about their importance to a home country company prior to introducing a local subsidiary?

Q3   Do you see cost reduction as the most important driver for localisation? Why?

Q4.   Do you consider technical development as a primary factor of localising a subsidiary of a home country's business, if so, why?

Q5   What is Social Responsibility to you?

Q5a   Do you consider this an important driver during strategic decision making process?

Q6   Explain the importance of local market knowledge, (indeed knowing what your competitors are doing prior to setting up a local subsidiary?)

Barriers to Localization

Q7.   How important are the cultural values in host country in the context of a business entity's start-up and delivery?

Q8   In your opinion, do you think that local resources feel they have an awareness of the private sector and what is required regards skill sets to work in the industry?

Q9   Do you think expatriate failure has an effect on localization?

Q10   What is your understanding, and the importance of Local Content Planning in the context of achieving localization?

Q11   Describe the impact of expatriate's attitudes on successful localization or otherwise?

Q11a   Consider and frame your response to the above question in the context of a local's attitudes on successful localisation?

Q12   Can you tell me about HR Training programmes? Are they an important driver to the success of localization?

Q13   How do you perceive the Governmental policy and attitudes of the government in achieving localization in both the private sector?

Q13a   What are your thoughts on whether the government is more influential on either the private or public sectors or whether there is equal bias?

Q14   What are your thoughts on delivery and performance in relation to % of local content?

Q15   What impact does the quality or an undergraduate degree have on employment of locals in (1) the public and (2) private sectors?

Q16   In your opinion, to what extent do salary and benefits impact on localization?

Q17   What are you views on 'poaching' of resources between competitors?

Q18   What would you consider the main barriers to localization within the local labour market?

Q19   Why would you think an organisations characteristics are important in achieving localization?

Q20   Would you consider Implementation of a Business Strategy is important in achieving localization of a subsidiary? How?

Q21   Would you consider recruitment and selection as key components of the localization process in both, (1) local and, (2) expatriate contexts?

Q22   Is there a compelling need for foreign labour? And where?

Q23   Describe what level of responsiveness is necessary within the local subsidiary

APPENDIX 3.1: TRANSCRIPT 1

Drivers for Localisation

Q1   **What would you consider as the main drivers in corporate strategy for a global business to nationalise a local subsidiary?**

A1   Some of it is legislated locally and some of it mandated mmm by local governments, also as well mmm from Oilco's perspective, part of their values is community and people so you know it increases the local opportunities in the local community as well.

Q2   **Describe local content policies (governmental policies) as a driver for localization. Tell me about their importance to a home country company prior to introducing a local subsidiary?**

A2   It is certainly an area for consideration. There are some countries that have quite mmm strict and quite developed policies for (for) nationalization and we absolutely consider that in our strategy for starting an entity in country.

Q2a   **The aim of that particular question was to get a view on whether a country's local content policy is considered adequately during the strategic decision making process, so?**

A2a   I think more so now mmm you know I think we are, again in a 'Oilco' context, we are very much aware of these requirements and do consider them when we are entering into a country mmm I don't think it is necessary a formal barrier but it is absolutely something we take cognisance of.

Q3   **How important is cost reduction as a driver for localization of a company's in-country subsidiary?**

A3   It is an important factor mmm typically expats are very expensive and doing business locally in a country you have local market conditions mmm which are prevalent and you obviously have to compete with indigenous organisations so driving down your cost base is important so there's a commercial benefit as well.

Q4   **Do you consider technical development as a primary factor of localising a subsidiary of a home country's business, if so, why?**

A4   Absolutely, technical delivery is a key service mmm that an organisation provides so the technical development of individuals into that role is (is) crucial so that our service provision is maintained.

Q5   **What is Social Responsibility to you? Do you consider this an important driver during strategic decision making process?**

A5   OK, social responsibility is our obligation as a company to engage with local communities, support them mmm work together with them and not just be cooperating with them is isolation but actually adding local value to the local environment, mmm, charities, people in the community educational institutes and the like, you know working development with them

Q5a **Second part of this question, do you consider this an important driver in the strategic decision making process?**

A5a Yes, mmm, I think you know moving into another country (moving into another country) to set up an office, looking at nationalization I think it's really important that you very quickly start to establish key relationships mmm in the local community to mmm help deliver that, to create good will as well for the organisation in the community I think it's very important.

Q6 **Explain the importance of local market knowledge, or indeed knowing what your competitors are doing prior to setting up a local subsidiary?**

A6 It's hugely important; there are a lot of subtleties in the way people engage in the local market place, there's a lot of networking relationships that are pre-established often it's a tight community, a tight business community mmm coming in and being perceived as a foreign organisation during setting up you can make an awful lot of mistakes, you can spend an awful lot of money and not get an engagement and having that understanding of how business is done mmm both from a risk factor to make sure that we're not mmm you know ending up being expecting to trade in a way we would not have wanted but also from an opportunity perspective so we can maximise potential as well which is very important.

Barriers to Localization

Q7 **How important are the cultural values in host country in the context of a business entity's start-up and delivery?**

A7 Again I think cultural values have to be recognised, mmm if you think about, for example, I just recently learned in the Lagos office we have a national dress day on a Friday and we, and I think it's important that holidays, celebrations, and religious beliefs of the local population are all considered and the company has to reflect that, we can't just be a sanitised western type company and be dammed, I think we have to actually, you know, put in a flavour and a theme of the local mmm culture into the organisation.

Q8 **Describe you perception on whether local resources feel they have an awareness of the private sector and what is required regards skill sets to work in the industry?**

A8 I think it can vary. In some locations where there is a developed oil and gas industry, for example, I think a number of locals will have engineering mmm qualifications for example so we've got a general understanding of the skillsets and a general understanding of the business. Other areas for example say Ghana is a developing market, local population see the oil industry something that is potentially lucrative and potentially a good thing but they do not really have a base understanding of it.

Q9 **Why do you think expatriate failure has an effect on localization?**

A9 Expatriate failure mmm

Q9a **Prompt – I guess in the context of technical competence or cost associated with bringing someone in country and so on, so forth?**

A9a OK, mmm expatriate failure, yes, bringing expatriates into the organisation can have a difficulty in mmm often people are transient through the organisation for a period of time, they typically work on a rotation, they are not necessary establishing roots in the organisation or the local environment longer term mmm the skillsets are not necessarily getting developed or passed down in the organisation organically, so there can be a disassociation from the company in the longer term from the presence of expats mmm being used for primary delivery and primary technical knowledge.

Q10 **What is your understanding, and the importance of Local Content Planning in the context of achieving localization?**

A10 Sorry could you repeat the question… (repeated question) mmm again I think it's really important that it is looked at as not just in terms of achieving numbers and having a % of local content that's actually having a diversification of skillsets mmm right through the organisation, having management representatives as well as support staff as well as engineering staff for example, mmm and really trying to work out how gaps in that can be developed and filled. I think it is very easy to make up numbers just with a labour force and support staff content rather than having it right through the organisation.

Q11 **Describe the impact of expatriate's attitudes on successful localization or otherwise?**

A11 Again that's (that's) hugely important mmm if done incorrectly expats can come in can be old hands who can be a bit cynical have done postings everywhere else and this is just another one, they don't necessarily engage, they don't necessary want to train and maybe got a lack of respect for locals without the same experience, mmm that's a bad mmm side of it. On the other side if they engaged and buying into what the company is trying to achieve and buying into they will be doing a handover and transference and there to help establish an organisation in the longer term then they could have a very positive influence.

Q11a **Probing – would you consider the same response if I was to ask the local attitudes?**

A11a I think that would possibly be the case, I think locals would want expats to be mentors and gurus and people who guide them. I think they would show an awful lot of frustration if there is an expat who is off-handed with them or was not willing to share knowledge. I think that would be quite a frustration.

Q12 **How important do you feel HR Training programmes are to the success of localization and what do you think they need to include?**

A12 Again, I think it is very important mmm obviously as an organisation although we have a local feel to it ideally we will have some key requirements and key aspirations for the organisation that we to (want to) engender so these type of training initiatives, these types of landing awareness sees in the people in the organisation is very important so they understand what we are trying to achieve overall as an organisation.

Q12a **Just expand a little bit on that, what do you think they need to include?**

A12a In HR training programmes, I think mmm…(long pause) specifically HR driven? You know I am actually not quite sure Jeff, in that regard, I think generally training of individuals, looking at corporate policies, you know I tend to think of HR in terms of things like discrimination in contracts of employment, you know maternity leave, how people should engage in the workplace, showing respect to each other and things like that and I reckon these are some of the things we want to include.

Q13 **How do you perceive the Governmental policy and attitudes of the government in achieving localization in both the (1) public and (2) private sector?**

A13 OK, mmm, I think it's good that the governments bringing in nationalisation requirements, localization is really really important, I think actually that it is to be admired that these initiatives are in place. I think it's very very important mmm I think that sometimes it just becomes more a people demonstrating stats and figures, I think a lot more interactive engagement would be good to look at training and development and ways of skillset gaps filling and things like that. I think it should be a lot more dynamic with organisations moving in about what we are trying to achieve and how best to do it. Sometimes it just defaults to % and numbers.

Q13a **Do you think there is more influence on, or more push/strength coming from the government on private or public sector?**

A13a Mmmm I think (I think) the push comes at private sector companies who are in my perception maybe operating through a private sector company, the push in my experience seems to go to private sector companies mmm but it comes mainly from the government legislative bodies rather than sometimes the already established other private sector companies.

Q14 **Describe your thoughts on delivery and performance in relation to % of local content?**

A14 It can be an issue mmm particularly in the context of 'Oilco' where we have high end engineering delivery as our primary business area mmm to make the local content numbers it can diminish our technical knowledge and approach to doing business in the way we have established it over a number of years and it can have an impact on quality and overall delivery.

Q15 **What impact does the quality an undergraduate degree have on employment of locals in (1) the public and (2) private sectors?**

A15 Quality of an undergraduate degree, I guess mmm yes there is definitely different standards in term of mmm degree levels and the amount of rigour people have to go through in achieving these so it can, you cannot compare apples for apples necessarily mmm in my experience a good degree in the UK is not necessarily mmm matched by degrees elsewhere in the world so you have to take some mmm recognition of that you know when you are assessing candidates.

Q16 **Describe salary and benefits impact on localization?**

A16 Typically mmm it is the case that a company will look at a lower cost base mmm when (when) they are establishing locally and when they are recruiting locally and some of that (some of that) is a reflection on the actual market conditions locally as well mmm you know looking at average salaries and things like that the company would typically you know recruit within that (within that) sort of banding mmm. However you know I think benefits packages sometimes are fairly reasonable because the company again globally will be fairly equitable in many ways with its benefits packages. I don' think people will necessary get many more than expats will get in the organisation but I think in relative terms it is still seen locally quite a lucrative position and currently above the mean mmm compared to you know the traditional indigenous companies.

Q16a **In terms of weighting, would you consider salary to be a higher weighting on an individual taking a position or do you think flexibility and other benefits are just as important to them?**

A16a I think (I think) it varies from individuals. Obviously salaries is a key item for them but in particular in areas where benefits are sometimes somewhat scarce establishing an understanding of what some of these available benefits are and how these impact on peoples work life balance, how they impact on peoples security, background security I think is really important, my feeling is that initially people who are less aware of benefits packages in an area will look primarily at salary and if its communicated to them in the right way they will actually open there eyes to what the whole range of benefits to them.

Q17 **What are you views on 'poaching' of resources between competitors?**

A17 I think mmm as ever it is a free market and people have the right to move between employer to employer there are numbers of reasons not necessarily salaries and package, sometimes its experience and development of knowledge and career, sometimes a new challenge and things so I think it's healthy to an extent that people get a chance to move. However mmm the targeting, headhunting and sort of escalation in costs because there's not enough capable people to deliver a piece of work isn't really of benefit to the industry, benefit to the companies and industry and although the individuals will get some maybe direct benefits by moving I think ultimately it can become very quickly too much.

Q18 **What would you consider the main barriers to localization within the local labour market?**

A18 I think the primary thing is skillsets and knowledge and experience mmm you know often companies have very particular requirements for a lot of key positions and the skillsets aren't necessarily there so if you take a large loading mmm of people under localization programmes, you don't have the critical mass of knowledge to operate the company in the way you would expect to do so.

Q19 **Why would you think organisations characteristics are important in achieving localization?**

A19 I think mmm you know a company that is international, that has a multi-cultural workforce that has established in these locations before will have an understanding of how to enter a country and actually successfully develop in that country mmm with sufficient back up support and size, and processes, systems, procedures and policies, I think actually it stands a good chance of getting it right and doing things in the correct way; a smaller company that has been successful in one particular area isn't necessarily as astute to cultural diversity moving into an area where they see opportunity I think would make many more mistakes and have to learn as they go, on how to engage and how to best establish.

Q20 **Why would you consider Implementation of a Business Strategy to be important, or otherwise, in achieving localization of a subsidiary?**

A20 I think a business strategy to do is (is) hugely important, there is a number of factors that can disrupt your business if you haven't pre-considered and addressed them; some of them we've touched on in developing of skillsets, closing gaps, having the right profile of individuals, having enough people in senior positions to understanding the local business culture to enable you to get opportunities and actually establishing business. People who understand some of the difficulties and sort of engagement with the public sector, the governing bodies or the like, sometimes these can be mine fields to negotiate your way through so a strategy that recognises all these areas of engagement and recognises best how to approach it is more likely to smooth the rough patches.

Q21 **Why would you consider recruitment and selection and important or otherwise component of the localization process in both (1) local, and (2) expatriate contexts?**

A21 I think recruitment and selection mmm again is always important mmm you want to start, there are a number of things, you want to get the right skillsets, the right capability or the people with the potential to develop these under a training programme, but you also want to get the right culture, the right approach, the right willingness to be part of a new organisation. It's hugely important because you know in an organisation that is establishing and growing then that team ethos, that culture is (is) extremely important, you know it's not on a long established entity where is so undynamic, you are creating a dynamic mmm so and the recruitment process is where we alluded to you before sometimes a degree isn't necessarily a degree in a knowledge and perceived knowledge base isn't quite what you would expect just from looking at things on paper, so that way of recruiting somebody is going to be hugely important, you have got to really get under the skin on things but also from expats coming in to the organisation too, you have got to have them coming in with an understanding what is expected of them; are they just delivering a service, or are they part of the team that's growing the business and training people.

Q22   **Would you consider there is a compelling need for foreign labour in some instances and as such not able to localize, if so where do you see this need?**

A22   I think there is, I think we have to realise that mmm the companies looking in the context of the oil and gas industry for example there are people who have had maybe 30 or 40 years' experience in a mature market that has had established practices and methods, mmm there are some key skillsets that you absolutely have to be able to inject into your business to make your business a success, mmm, often as well coming into a local area you are offering something different to the market place and not something that is the cheapest so that skillset and knowledge that you are offering to the local market area mmm you have to be able to deliver so you may need to (may need to) import that skillset and knowledge.

Q23   **Describe what level of responsiveness is necessary within the local subsidiary to promote localization and achieve targets?**

A23   I think in many ways the local business has to be at the front end of it, it has to be driving the process in many ways. It is good in that you would except an international organisation to develop the strategy mmm to be putting a lot of the requirements in place and to be sort of monitoring it and measuring it, but I think if the local entity who will understand the subtleties, understand the gaps an awful lot better, understand what the local requirements are and the local strengths and weaknesses are. I think it is really important they are at the front end of the process and having the ability to modify the strategy as needed as well and refine it and feedback lessons learned into the wider organisation some of the challenges that have been encountered.

Drivers for Localisation

Q1   **In your opinion, what would you consider to be the main drivers in in developing growth strategies for local subsidiaries?**

A1   Okay. That's one of those questions that could mean everything and anything. The main driver, ultimately, from us, as a business, we're looking at what are the growth opportunities within a subsidiary. Does that allow us to produce a business that is a quality business, with further growth potential, that sits within the framework of our core values? So what I don't want is the only way to grow the business is to begin to compromise any of the values. What I don't want is a business that quickly saturates a market and runs out of opportunities. I don't want a business that ultimately stagnates, because they say, "There are only two contracts in that country, and you've won both of them."

Q2   **Can you tell me about the local policies? Government Policies?**

A2   I am obviously aware of different issues around an international business developing a local subsidiary. Clearly, in some areas, there are specific targets on localisation and ethnicity and things like that. In other areas, there are huge tax considerations to be taken into account. There are all sorts of different policies there that we need to be mindful and aware of. I'm sure some of your other questions will come on to the effectiveness of some of these policies, or otherwise.

Q2a   **Tell me about their importance to a home country company prior to introducing a local subsidiary?**

A2a   Well, they're hugely important, because in some areas, we find that we're probably dealing with policies that make it untenable to try to set up a positive growth story in a particular country. I'll give you an example of that. Until recently, we've struggled with the idea of committing heavily to working in Brazil, because the application of tax laws means that it's punitive for a non-Brazilian company   to   operate   and   employ   people   within   Brazil.

You think, "So yes, we've got a small operation in Brazil with PSN, and a small operation in Brazil with 'Oilco'. But they're never going to get much bigger, even though there's a big potential market there, because our experience is that the tax authorities don't play the same with local companies as they do with international companies."

Q3   **Do you see cost reduction as the most important driver for localisation? Why?**

A3   No, I don't, actually. I think, for me, it's about the sustainability of a business. It needs to be based on employing local people in quality jobs that put something back into the local economy in multiple ways. Not just the employment, but also the spin-off of paying local taxes, the ability for people to afford housing, the work that we can do in terms of helping local communities with health or education or poverty issues, and things like that as well. I think the benefits need to be primarily social, rather than driven by primarily cost.

I think the fact that it makes a lower cost business is a lovely side effect of that, but I do think that the social responsibility has to be the primary driver, for me.

Q4   **Do you consider technical development as a primary factor of localising a subsidiary of a home country's business, if so, why?**

A4   Again, I wouldn't say primary either. Technical development of skilling people up and things like that, I think there are important things there. But it depends where you start, Jeff, because if you look at Chad, for instance, the indigenous technical skill level there is pretty low, because of the lack of industrialisation. So it would be unreasonable to think that we can create, in any reasonable contractual time period, the skill levels that have come through 11 years of full-time education and 4 years of tertiary education and 5 years of experience in the UK, for instance. It's just not reasonable to think that you can get somebody who's going to operate at that same technical level, without having gone through a similar duration of education

Q5   **What is Social Responsibility to you?**

A5   It's about understanding the impact of our business on society. So there are probably three elements to that. There's the economic part. There's the enterprise part, in terms of growing the business. Then there's the environmental component as well. Sometimes people talk about social responsibility purely in terms of the environmental impact of a business. There's more to it than that. I think it's more complex than that. I think depending on where we are; the economic part can be huge. So if we can provide, in countries, an opportunity for local people to earn relatively well-paid, sometimes very well-paid jobs, that have got a long-term future, then it gives them the stability that then can be passed on to their families and things like that. So it's got a hugely beneficial impact. So it's not doing good for the sake of doing good; it's doing good for the sake of sustainable business. It makes sense. That's why I would do it.

Q5a   **Do you consider this an important driver in the strategic decision making process?**

A5a   Absolutely, it is. In the extent that you were asked to do a business where you were asked not to engage with the local humanities, or to keep locked inside a fence in a compound somewhere, not to use local suppliers where you can, I think that would be contrary to our core values, actually. Because our core values do talk about employing local people wherever we can. So I think, for us, it's so important that we've built it into the core values.

Q6   **Explain the importance of local market knowledge, or indeed knowing what your competitors are doing prior to setting up a local subsidiary?**

A6   That's interesting. Myself and Jerome have talked about this for a number of years. We think that actually, no matter how hard you try; it's almost impossible to gain sufficient local knowledge without actually committing to being in a market. You have to accept that moving into a market that's new to you, you will discover a lot about that market by being there. It may take years, and you may come to the conclusion that ultimately, the market doesn't present a sustainable long-term business opportunity. Therefore, you'd come out of that market. Or you understand the market well enough that you can see the way of being successful. We reckon it probably took three to five years to get to the point where you actually understand the true sustainability of a market.

Barriers to Localization

Q7   **How important are the cultural values in host country in the context of a business entity's start-up and delivery?**

A7   Yes, it's a good question, because there are lots of implications or implied negatives in the question. However, from experience, actually, when it comes down to it, there are very few countries that don't want to have a reputation for being concerned about people's welfare, concerned about honesty and ethics within business, and concerned about the economic benefit to the local communities. I'm thinking that all of these three things are almost self-evident. However, what comes through sometimes is, in practice, these high stated ethical considerations may not get translated on to the ground. So whilst a country's government may come in and say, "We have zero tolerance for corruption," if corruption is endemic within the practices in a country, then it's something we have to be very wary of, that we don't end up going into a place where we simply can't operate, because we choose not to be involved in what are local customs and practices.

Q8   **In your opinion, do you think that local resources feel they have an awareness of the private sector and what is required regards skill sets to work in the industry?**

A8   I don't know if I could answer that. The question is too vague for me, Jeff, in terms of what private sector? In their own companies?

Q9   **Do you think expatriate failure has an effect on localization?**

A9   Yes, I think it can have huge reputational damage if you've got people that don't behave properly, and don't uphold the company values, and don't understand that they have both a mentoring responsibility and an ambassadorial responsibility. When they fail on either of those accounts, it can cause damage and resentment. That's why it's extremely important that everybody knows from the outset that we're here to build a local business as quickly as we can, within the bounds of what is operationally and qualitatively and technically doable. We're not here to sustain jobs for expats.

Q10 **What is your understanding, and the importance of Local Content Planning in the context of achieving localization?**

A10 I think it's very important, because I think without the plans, it just becomes a good intention. I think it's too easy for people to say, "Yes, we're really into localisation." In some countries, what that has led to is the bizarre situation where local content is achieved by employing security guards and drivers. I'm sure that's not what the spirit of what local content is all about. For me, local content is achieved when ultimately, you can hand the keys over to the local manager of a business and say, "You're part of the global network. Call us any time you need help, but actually, you guys need to run this business on your own now."

Q11 **Describe the impact of expatriate's attitudes on successful localization or otherwise?**

A11 It's key. It's similar to the question before. It's the other way about. Where we've got expats going into a country, they need to understand that they are mentors and ambassadors. They need to understand the local customs and culture, not the other way about. They need to be mindful of the fact that it sometimes takes a long time to get people to accept the way things are. They need to be firm in terms of what rules are there and need to be kept, what values need to be maintained. But they need to be similarly flexible to say, "Well, actually, there are different solutions for different cultures." It can't just be, "We're here to tell everybody how to do it." There are probably local concepts that can be brought to bear as well. So I think that attitude is extremely important.

Q11a **Consider and frame your response to the above question in the context of a local's attitudes on successful localisation?**

A11a I'm imagining what they might feel is a sense of, you've got guys coming in here, doing a job, that are clearly getting paid an absolute fortune compared with what local earnings are. Ultimately, most of the job, people locally could do. So I can't help thinking that if you don't localise quick enough, it can quickly lead to jealousies and resentments.

Q12 **How important do you feel HR Training programmes are to the success of localization and what do you think they need to include?**

A12 I think HR training programmes in the sense of inductions, both for expatriates going on to a contract, and for local people coming on to a contract, are really an important starting point. But I think the real thing comes down to the day-to-day relationships, and people with the right attitudes developing great mentoring capability. Having that commitment to the localisation plan that sees people moving from junior engineer to head of accounts to head of HR to contract manager, or whatever it happens to be, in a timescale that everybody has said, "That is wholly appropriate and achievable."

Q13   How do you perceive the Governmental policy and attitudes of the government in achieving localization in both the public and private sector?

A13   Yes, I think it varies from place to place. I think in some countries, you could argue and say that it has actually held back development and progress. In other countries, it has been good. So for instance, the work that we're doing in Papua New Guinea just now, we're able to bring in local content into our contracts at a pace that is consistent with local government policy. Previous experience in Nigeria, for instance, has been the insistence on localisation and work being done locally sometimes means the work doesn't get done at all. So I think the need for a pragmatic view that says, quite rightly, a government wants as much of the economic wealth to be retained in-country as is practicable, but not to the extent that that actually stops economic development.

Q13a What are your thoughts on whether the government is more influential on either the private or public sectors, or whether there is equal bias?

A13a I think obviously, government has a direct influence on the public sector, because normally it's the funding mechanism for the public sector. It's a generic answer. I think on the private sector, the government has a part to play, but at the end of the day, we're the service provider to a customer, and the customer probably has a   more   direct   relationship   with   the   government.

So the influence that the government has over a customer is a different matter, but it's not something we're party to. So I find it a little bit difficult to answer that.

Q14   Describe your thoughts on delivery and performance in relation to % of local content?

A14   It's a good question. I think it's all about timing. Ultimately, if it's done properly, my perception is that the quality and delivery needn't be negatively impacted, providing we're not trying to rush through the door and fill roles that require certain competencies with people that clearly don't have them. So there is a potential there for performance to be impacted, but if managed carefully, it needn't be the case.

Q15   What impact does the quality an undergraduate degree have on employment of locals in (1) the public and (2) private sectors?

A15   Yes, I think it's interesting. I've had this conversation about graduates a lot. Actually, in most courses, wherever people have been, the amount of applicability of course content into the day job [that most people do 0:17:54] is generally pretty low. So I can have somebody that has done a degree in mechanical engineering, and then I can say to them, "I want you to get involved in a mechanical engineering modification." The amount of work that they're going to use from their degree is going to be limited, because it's as much about organisation and about being able to interpret specifications and things like that. Very little will it be back to first principles of mechanical design and stressing and all that kind of stuff. So I would say that the degree is only, effectively, a badge of honour to say, "I am capable of learning. I have learnt some stuff that will be useful in the job, but I recognise that most of the stuff I will learn, I will learn once I'm on the job."

Q16   In your opinion, to what extent do salary and benefits impact on localisation?

A16   I think there's a careful line to be trod there, and I think you've seen this in Angola, specifically. If you end up creating a culture where you're paying people significantly above the social background, you can quickly get into expectation levels that are inconsistent with the skill and competency levels. I think it's something to be very careful of. It feels almost wrong to say, "Well, I'm going to pay somebody way less, because they're local, than somebody who is expat," but if you think about it, the expat should be planning to leave at some point. The local is there for the long-term, and therefore, for that job to be sustainable, his or her salary and benefits must be competitive in the local environment, not with the expat environment.

Q17   **What are you views on 'poaching' of resources between competitors?**

A17   Of course, I find it, usually, frustrating. It has always been a frustration for me, particularly if we put a lot of effort into developing resources, and then they become marketable, and the first thing that happens is that they get taken away. Then it's frustrating. But it's a feature of a free labour market. At the end of the day, providing we're committed to continuing to train people, and we're still building that into the way we do business, it's the right thing for us to do, even if it does make us subject to being a fishing pond for others to come and take resources out from time to time. The other side of that is, if we treat people well and we've got a strong safety culture, a culture of integrity, then as people leave our organisation and go elsewhere, they take some of that with them. They also take a predisposition to us to say, "Good company. might work for them." Some of these people could end up being our customers.

Q18   **What would you consider the main barriers to localization within the local labour market?**

A18   The main barriers to localisation. There's something there about getting this balance right between benefits and rewards. There can be barriers there in terms of the insistence, in some areas, of almost like a unionisation that guarantees continuity of work, where we can't guarantee continuity of work for people. We ran across this in Bangladesh, for instance, where at the end of the day, we tried to shut down our contract, and we ended up in a messing closing of the contract, because there were different interpretations of local employment laws. These kinds of things become a barrier to employing lots of local people. I think the other barriers there are about the expectations of the speed of handover. I think another barrier that sometimes we miss is where you've got local tribal or religious or ethnic differences between different groups. We can be less sensitive to them than we should. Yet, internally, they can be the cause of a lot of problems for us to treat everybody as if they're all part of the same local team. Whereas in reality, they may be part of different ethnic groups or religious groups that really don't work together well.

Q19　**Why would you think organisations characteristics are important in achieving localization?**

A19　I think characteristics is an important one, because at the end of the day, if an organisation is purely in it for the profit, they could say, "Well, actually, the burden of localisation, the benefits of potential lower cost in the long-term is not worth it. So we're just going to come in, we're just going to do our stuff, and we're just going to finish at the end of the contract." So I think there's something there about the heart of the business. What is it they value? For us, local content under the banner of social responsibility is one of those things that we say explicitly that we value. Therefore, for us, that's one of the characteristics that you would like to think that people would say, "Well, you're likely to be a good company to have in our environment, because we know you're not just going to rape and pillage. We know you're going to get involved with local communities. We know you're going to employ local people, and you've got the track record, having done it several times before. We can see that you do put a lot of effort into creating sustainable local jobs."

Q20　**Would you consider Implementation of a Business Strategy is important in achieving localization of a subsidiary? How?**

A20　I think it's really important, because I think it becomes a key differentiator for us in terms of, why would somebody want us to come into their country to do work for them? Again, probably the best example of that is when we initially bid to work, on our own, rather than through a joint venture, in Chad. When we were bidding the contract – which was a pretty conventional contract, with rates and materials and all sorts of stuff – when we spoke to the customer in detail and said, "Look, what is it you're really looking for?" it was all about localisation. So not only did we put in a bid that was consistent with what the bid requirements were, we put in a separate localisation plan. That became the focus for our discussions, until eventually, we won the job, and we've been there until this day. It really started out to say, "Look, guys…" It wasn't asked for on the bid – that was the strange thing – and yet it was the key thing they wanted.

Q21　**Would you consider recruitment and selection as key components of the localization process in both (1) local, and (2) expatriate contexts?**

A21　Yes, and difficult to do, and one of these areas where if it's not done well, applying a westernised process to a local recruitment effort has potential difficulties. Because actually, people's expectations, how people that are not successful are treated, what it makes them feel like in the local society, and all sorts of things there, it's not something to be treated lightly. The key to there is learn before you go on how recruitment can work, so that you do get the right skills, but in doing so, you don't damage whole bunches of other relationships.

Q22　**Is there a compelling need for foreign labour?**

A22　It's a good question. I accept that in some countries, there may be such a lack of indigenous skills that the only way to actually bring that in is to bring in skills from outside that country, whether that's from a third party country, because of the contractor, or whether it's from the host country. But there may be a skills gap. If there is a skills gap, then one way to fill it is to bring in people. I think there needs to be something in there that says, "This should, in most cases, not be a permanent solution. It should be a way of upskilling the locals."

Q23 **Describe what level of responsiveness is necessary within the local subsidiary to promote localization and achieve targets?**

A23 I think that you'd be very responsive, because actually, setting out a plan on day one, it's not easy. You can construct a plan, but you know, in the cold light of day, there will be elements round about that plan that won't go exactly as you expect. It might be that the client's work programme might change. Maybe a local law changes. It might be that there's a driver to accelerate cost savings or whatever. So there's a definite need for responsiveness and flexibility to say, "If we need to slow down our localisation, this is what it would look like. If we need to speed it up, this is what it would look like," and the team not be wedded to say, "We're the victims, because somebody has changed the rules." The rules change all the time. So we should be saying, "Well, actually, this is as fast as we possibly can go. Beyond that, we can't guarantee the safety of the operation or the maintenance of the core values. Therefore we're not going to do it. Ultimately, be prepared to walk away if somebody says, "No, we insist." You say, "Well, we can't do it. We're not going to do it, because it will break their core values." But having that flexibility that says it doesn't have to be absolutely consistent with the plan that we bid, because things change.

APPENDIX 3.3: TRANSCRIPT 3

Drivers for Localisation

Q1   **In your opinion, what would you consider to be the main drivers in in developing growth strategies for local subsidiaries?**

A1   I think it mainly comes from the contract that we have signed with the client, which comes from the government driver. I think that's the main reason. Then the secondary reason is the fact that we have a core value, which includes localisation that we want to have more and more people from that region doing the work, as it says in our core value.

The main reason is economic necessity. We don't have enough people and we want the people there to be able to do the work and not have it full of staff that are expats. That gives us a broader base of people.

Q2   **Can you tell me about the local policies? Government Policies?**

A2   No, not that detailed. If I'm going to read something it will be in the contract and I read the client's interpretation of what the government policy will be, which is generally a nationalisation of the personnel and also a building up and a use of the local supply chain, which I think is very admirable.

Q2a   **Tell me about their importance to a home country company prior to introducing a local subsidiary?**

A2a   We need to understand it. It needs to be clear. We need to have somebody who can talk us through it and we also need to know that it's stable. We prefer to know it's stable, it's not changing, or we would like to know what's coming in the future. In Ghana certain things weren't in place, but we knew they were coming. Being aware of that helps us develop our strategy for getting into the country.

Q3   **Do you see cost reduction as the most important driver for localisation? Why?**

A3   No, never have. I think in the long term it can be. The most important thing for us is to deliver the quality of the service because if we're working in hazardous areas we need to ensure the people we've got are competent to do the work and therefore the cost cut will go with it. Eventually, yes, if you've got competent people then you'll have to localise.

Q4   **Do you consider technical development as a primary factor of localising a subsidiary of a home country's business, if so, why?**

A4   Absolutely. I think it's one of the main things we should do as a home company. We should be transferring our knowledge to the local workforce and training them up to make sure they're competent. In the end, we should be a home company that's got all its skills in its home base and nothing outside. We should be able to develop or deliver a quality service wherever we are in the world.

Q5   **What is Social Responsibility to you?**

A5   I think it's being part of the local community, working with the local community and helping enhance the local communities' lifestyles I suppose through ensuring people have work. If they need help with community practice or community projects then we should be involved in that as well. We certainly should be aware of their issues and what matters to them, not what we think matters to them.
I think there is more than a subtle difference. We shouldn't take our western cultures and our western ideals into local communities and assume that's what they want. We should be very thoughtful and listen to what they actually do want.

Q5a   **Do you consider this an important driver in the strategic decision making process?**

A5a   That's a good question. It should be considered. As to whether it's one of the most important parts of it, I don't know. That's one that you could debate.

Q6   **Explain the importance of local market knowledge, or indeed knowing what your competitors are doing prior to setting up a local subsidiary?**

A6   Okay. That's a good question. I was thinking more from the point of the supply chain. You need to understand what that supply chain can supply you with and the quality it can supply you with and what the challenges are in terms of money. As you said earlier, bad practices, who's got tie-ups, who's supplying it to them, what connection they've got back into more developed countries. You're right in the sense you do need to know what your competitor is up to and how well they're engrained there as well.
The other thing I was thinking about, you need to know what is the acceptable practice in these parts of the world in terms of supplies as well because I think that would be part of your strategic decision-making way to enter the country. If it wasn't played properly you might decide not to go, given that we have the compliance standards in our ethics policy, integrity policy.

Barriers to Localization

Q7   **How important are the cultural values in host country in the context of a business entity's start-up and delivery?**

A7   Fundamental, absolutely. It's very, very hard to change the cultural values of a country. It's very hard to change the cultural values of a small company, never mind anything else. Therefore you have to be aware of what they are, I think incentive to that. I think it's really important that you've sat down and thought about it.
I don't think we do that enough, work out what those values are in the region, because they might not be the same. Like Nigeria will be different in different regions. What matters to them, how does that fit with our cultural values and what are we going to do about it?
I would say that's true also for one of my bugbears, integration of new companies. We don't do that even. We buy companies overseas and we don't actually understand the culture. Sometimes we get fooled by thinking people speak the language. That is not the same thing as having the same culture. Sorry, that's my hobbyhorse.

Q8   **In your opinion, do you think that local resources feel they have an awareness of the private sector and what is required regards skill sets to work in the industry?**

A8   Oh, I don't know. The answer to that is specific to the country and the people. Some will. I suspect if you go to Angola, some of the guys there will be very well developed and very clear on what's required. I know in Algeria some of the people are very good as well. Other places literally won't have a clue because they've been fixing tractors or something. It's a much more localised economy.
I think also that reflects on the standards that are required as well. They don't really understand it. One of the eye openers for me was going to Romania. They're all top-notch people fixing things that were 60/70 years old, and very proud of it, but not aware of what else you could do.

I think you have to be sensitive. That is a really good point. Because they've been working for so long in that environment they weren't always thankful for you. Some were. The younger ones were, but some of the older people were not thankful for you telling them they didn't have to be doing that. A lot of the Russians are very proud of their country. They've put men into space, so what are you to be telling them about how they should be doing things?
Again, that's the sensitivity of it. You have to approach that very carefully or you have to pick people who are more open to change.

Q9   **Do you think expatriate failure has an effect on localization?**

A9   Yes, and we've seen that in a number of places where the locals are looking at these people coming in. They become aware of the numbers, the monies these people are getting. They're aware of the lack of interest, the lack of effort that they put it. It reflects badly on the company because they're saying we're not giving their best people, who are going to be stable because for them it matters.
They're staying for the future. They're not going to be in and out of the country. They're there. It's their business or their life and their career, and we're not looking after it. We're not bringing the right people in. It frightens them I think just in terms of the contract, but how can they also develop when you've got all these people wandering in?
I think also the expats need to have some training in how to train. If you get the right ones, they're good at it. If you get the poor ones, they're not good at it. It's having an empathy with the people there and helping them, which I know you're fully aware of from Atyrau as well.

Q10   **What is your understanding, and the importance of Local Content Planning in the context of achieving localization?**

A10   I think without a plan you can't achieve it. I think you need an objective, and then based on the information you have, the training sources and the competence of the base work or the base group, then you need a plan. You need to work the plan and you need to check it every year and review it.
Again, I don't think we do that enough. I think we create a plan and then we forget about it and we have excuses why it's not working and not reasons why it is working. It will change because things will go adrift. I think the first thing on anything is have an objective, have a plan and work the plan. I don't think that's too difficult.

Q11   **Describe the impact of expatriate's attitudes on successful localization or otherwise?**

A11   Fundamental to it. I think the ones who understand what we're asking them to achieve and want to be part of it- and I think the expression we use, "We need you to work yourself out of a job" is somehow still important. Some of the guys will nod and say, "Yes," whereas if there's a whole group of them, they're just travelling around. They'll be there for a year or two years if you're lucky. They get fed up and then move on. They're not interested in getting themselves out of a job or training people. Maybe they need new skillsets. We need to be more sensitive to that.
That's true of the UK. Some of the leads we've got just aren't competent to do it. Sometimes we need the competence. We need a person who's competent in the job, first and foremost, and they don't always have the skills. The issue will be how do we work that? If we need the leads who are competent, is there another way we can work round getting the in-country people up to a certain level if the lead can't do that?

Q11a **Consider and frame your response to the above question in the context of a local's attitudes on successful localisation?**

A11a I suppose it's the point that if you're a local and you see the expat come in and he doesn't care about you, your attitude will be pretty much the same I would have thought. You'll reflect back to them the attitude you're getting. "You're not looking after me. You pay lip service to it. Well, why should I care?" I'm not going to feel part of that company. I'm not going to feel proud of it and if someone local comes along I'll go with them.
That's always the challenge. I want those people to feel proud of the company they're working for and know that we're looking after them. We're talking here as if we're doing all this stuff to them, and we should I suppose. We have to know. We have to prepare the plan to do it. In the end, they should be part of that process as well.

Q12   **How important do you feel HR Training programmes are to the success of localization and what do you think they need to include?**

A12   Well, absolutely, but in my mind I suppose that's the fundamental of people. I keep talking about the localisation of people, but the HR will be very important in that. The only thing I'd say is the HR quality and the plan needs to be appropriate to the country they're in and needs to be delivered by people who understand it and are sensitive to it.
Sorry, I keep forgetting about supply chain. We also need to have a plan for the supply chain as well. Again, if we have leads going in and out they're not going to develop a relationship, they're not going to care about who's there and they're not going to look after them and grow them. You need some stability in that area as well so we understand what they're competent to do and we understand how to help them become more competent.

Q13   **How do you perceive the Governmental policy and attitudes of the government in achieving localization in both the public and private sector?**

A13   I think they need to be clear on what they want, they need to be consistent with what they want and they need to make sure they're checking up on it.

Q13a **What are your thoughts on whether the government is more influential on either the private or public sectors, or whether there is equal bias?**

A13a No. I don't know. I just don't know.

Q14 **Describe your thoughts on delivery and performance in relation to % of local content?**

A14 It's always going to be a challenge. If the local guys aren't competent enough you're always going to have a problem with the delivery of what you're going to do on time and also the quality. It can be a challenge. I would argue that you've got to make sure that the quality of what you deliver is appropriate. You cannot default on that because also you need to set the standard for the team.
That's not a localised- it's just training people in anything. You'd expect them to do that here as well. If you think back to what we had when we bring in graduates here and the young designers we've brought in a few years ago, it's the same thing. The guy sitting next to them, "Oh, it's easier to do it myself. Oh, I'll do it myself because you don't have to do it." All we do is get a guy sitting there doing nothing, so we do need to get them involved and we need to look after them and bring them through.

Q15 **What impact does the quality an undergraduate degree have on employment of locals in (1) the public and (2) private sectors?**

A15 Well, we've both got experience of when the undergraduate degree is not a reflection of the quality of the people. If that really matters? I think you need a degree to show the level, but you also need to test them to make sure they're competent to do it, obviously depending on which country you go into and what the common view of the quality of that education is.
I liked it when we used to send the chiefs out to do the interviews in a number of countries so that we knew the quality of what we're getting. I know Robert Bell from structural used to give them tests. I'm saying, "That's going a bit far." Maybe, but maybe not. You found out the ones who are good and then you suddenly found out, "Well, I didn't actually do that. It was, "My pal came and sat the course" or something else or something.
We had a bit of that, so we always made them bring photographs as well as their CV. You live and learn.

Q16 **In your opinion, to what extent do salary and benefits impact on localisation?**

A16 I think it's important. It's interesting that. It's a really interesting question because I've seen it. When you start off, you're going to pay probably a good salary and you'll give them experience, so the combination of two things is brilliant. We've had experience where we used to bring them over to the UK to get them local experience quicker, to accelerate their experience. They all loved it and loved the company and everything else.
By the time they got back they would head off into the wild blue yonder because someone offered them money, whereas when they started they weren't affected by it. They were happy to get what they were getting and get the training. By the time we'd done with them, (Laughter) all they were interested in was the money.
I'm not sure I want that written down, but that's what I found. In Kazakhstan it happened so many times.

Q17 **What are you views on 'poaching' of resources between competitors?**

A17 My usual one about we're not King Cnut. If people don't want to work for you, you shouldn't make them work for you. You shouldn't try and keep them in. I think there's nothing worse than that, having restrictive contracts. Obviously if you bring them over and train them in a course you could ask, "I want you to stay for five/six months or a year." I'm okay with that.
The thing is, you have to be careful about it because you can't say, "Well, if you leave within a year you have to pay back the course costs" because they can't afford it anyway. If they're going to stay there and they're not happy, do you really want that? You've got to think through that sort of stuff. You might have the course, but will you actually use it?
I think what it means is if you're going to transfer people back to the home office you just need to have them a bit longer and you need to be very, very aware of what drives them. We've met lots of guys and girls who are driven by wanting to be better, to be competent, to learn things, rather than by money. They're the ones we need to look after. I think we just need to be aware of them and to be able to pick them out.
That's why we need a good local HR group who can do that sort of stuff, just making sure their salary and benefits are in place, but actually understand what's driving them.

Q18 **What would you consider the main barriers to localization within the local labour market?**

A18 Awareness of the company, competence of the people, confidence that they can do the work or learn to do the work. I suspect awareness of the company. Quite often we'll be going into a market that maybe growing, you've got clients. Always the challenge is that the clients will get all the first-rank people first. Not always the best ones, by the way, just the cleverest ones, always the ones you want. That's another debate which we needn't go into here.

Q19 **Why would you think organisations characteristics are important in achieving localization?**

A19 Well, I think the more you've done localisation, i.e. the more globalised you are, the more nationalisation you are, the more confident you are you can do it and the more you learn, hopefully, how to do it and you've got a lessons learnt database. I don't know if we have or not, but you'd like to think we have. We've done all the hard lessons.
We've been doing Atyrau for, what, 10 years, 12 years? We've been doing parts of Africa for year and years, so if we don't know then no one should.

Q20 **Would you consider Implementation of a Business Strategy is important in achieving localization of a subsidiary? How?**

A20 Yes. In a sense, the business, absolutely. Again, I suppose that comes back to my earlier answer. I think you need an objective, and that's part of your strategy. What are you trying to achieve? Now, if your business strategy is to run a five-year contract and make as much money as possible and get out, then that's one objective. I'm not saying it's the right one.
If your objective is to be there a long time and set up a subsidiary or your company there, then your strategy should contain things that will allow you to do that. Otherwise it's not strategy. Be clear on what you want to achieve and then set about doing it.

Q21 **Would you consider recruitment and selection as key components of the localization process in both (1) local, and (2) expatriate contexts?**

A21 Oh, absolutely, yes. That's essentially what we were talking about. We need to be choosing people, A, who are competent or have the ability to become confident, but, B, as far as we can judge, want to stay with the company and grow with the company and to be better.

Q22 **Is there a compelling need for foreign labour?**

A22 Oh. Yes, there is because of the competence level. What it is, quite often when we're doing work it's within the context of a brownfield environment. People need to learn that, which is not to say they can't design a pipe, but they can't design the pipe and fit it in, in a brownfield context. I think that's what we need them for, these leads for.
Also, to teach lessons learnt, say what you should and shouldn't do and to drive the right behaviour that we want. Just because you know how to design a pipe doesn't mean you know how to work in a team and to understand how to design that pipe in the context of an offshore environment. There's a number of things you need the chaps for.

Q23 **Describe what level of responsiveness is necessary within the local subsidiary to promote localization and achieve targets?**

A23 I think it does. It needs to be 100%. If it's not, then I think what you'll find is that the laissez-faire attitude will develop. "Oh, they're not bothered over it, so we'll just let them go. No one complains about it, so we'll just keep sending expats and they'll all do…building stuff and everyone will be happy."
No, absolutely, and you want to see them driving. You want to see their faces coming up and saying, "Well, can I do this?" Back in England or UK you do that [for the] financial [cause], "Can I go and do it?" That's what you want from these guys.

APPENDIX 3.4: TRANSCRIPT 4

Drivers for Localisation

Q1 **In your opinion, what would you consider to be the main drivers in in developing growth strategies for local subsidiaries?**

A1 If it's a new country entry, I suppose looking at the size of the potential market in the country. Mmmmm growth strategies. Yes, really looking at the potential size and complexity of the market.

Q2 **Can you tell me about the local policies? Government Policies?**

A2 Government policies, and what they mean to me. There's no perfect solution, I don't think, in terms of the local content aspect of government policies. Some are very different. Government policies vary in every country, every different country. If you compare the likes of Kazakhstan to Nigeria to Angola, there's a complete disconnect. Some work, some don't. They cause a lot of confusion, because there's no consistency in how they're actually applied whatsoever, and it's not always how they're actually applied.

It depends on the local area that you're working in, and how they actually take the government policy and apply it in a local market.

Q2a **Tell me about their importance to a home country company prior to introducing a local subsidiary?**

A2a They have very, very little importance to their home country company. They don't think about them. They don't give them any focus of attention at all. They are completely focused on setting up the business, and giving no thought process whatsoever to what the actual local content guidance is, or drivers and laws are in the country that they're entering.

Q3 **Do you see cost reduction as the most important driver for localisation? Why?**

A3 It's an important driver. I think it would depend, maybe, on the maturity of the market. If you're entering late in the market, then to compete with other companies, you're going to have to localise very quickly to be competitive, depending on the split of their workforce. If you're entering a country very, very early, and there's no competition, it may not be as important to you.

Q4 **Do you consider technical development as a primary factor of localising a subsidiary of a home country's business, if so, why?**

A4 No. I would say making money is the primary factor for localising. Unfortunately, the technical development part probably comes as a necessity, rather than as a driver. A necessity that you get there, rather than an actual driver for going in and doing business. Does that answer the question?

Q5   **What is Social Responsibility to you?**

A5   Social responsibility, to me, is actually becoming part of the community that you're working in, and being part of the community, not just going in and setting up a business with no thought whatsoever to how you're affecting the local market.

Q5a   **Do you consider this an important driver in the strategic decision making process?**

A5a   It should be an important driver. It should be one of the key drivers during the strategic decision process. I'm not convinced it always is.

Q6   **Explain the importance of local market knowledge, or indeed knowing what your competitors are doing prior to setting up a local subsidiary?**

A6   Again, for me, it's critical in terms of how you, mmm if go back to maybe the maturity of the market, if it's a very mature market that you're entering, you really need to understand the local market to make sure that you get your pricing right. If you go in too high, you're going to win no work. If you go in too low, you're probably not going to get the people to deliver the work, so it's critical.

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Barriers to Localisation

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Q7   **How important are the cultural values in host country in the context of a business entity's start-up and delivery?**

A7   Again, I think it's important, but is enough real thought given to it? Probably not. Host country…okay, so not your actual home country culture.

Extremely important. Understanding the thought process of the businesspeople in the country that you're entering is very, very important. Again, I'm not convinced that we give enough focus on that. We tend to have the focus on the market, the size of the market, the potential business rather than the actual culture of values.

Q8   **In your opinion, do you think that local resources feel they have an awareness of the private sector and what is required regards skill sets to work in the industry?**

A8   Certainly, historically, if you look at somewhere like Kazakhstan, it was all about private sector, and that's what they knew. I think they're very slow in some places, especially when it's a new industry like oil and gas, to pick up on making sure that the training and the universities are aligned with the requirements of the industry. The local resources, I don't think- very, very rarely get the big picture. They just want to be part of it and make money. They don't really see what the endgame is ever going to be.

Q9   **Do you think expatriate failure has an effect on localisation?**

A9   Failure. Yes, it would have an effect on localisation. The one thing I've seen is that locals in the countries that I've been involved they like continuity. They like to see- they like to feel they're actually part of something. If that something is always changing, then they don't feel at all confident that they've got a long-term future, so yes.

Q10   **What is your understanding, and the importance of Local Content Planning in the context of achieving localisation?**

A10   If you don't plan it, you'll never achieve it. If you don't actually set out targets, then forget about ever achieving a reasonable level of localisation. Do you want examples?

If you actually look at Atyrau as an example, we actually had an unwritten, maybe, in some cases; target of what we believed was an acceptable level. That's gone backwards. There is no local. There is no target, now, and they're actually going backwards, and they're using more ex-pats when they could very easily be using nationals for a lot of positions.

Q11   **Describe the impact of expatriate's attitudes on successful localisation or otherwise?**

A11   It's critical. If the attitude's not right, then you're never going to have a successful localisation policy.

Q11a **Consider and frame your response to the above question in the context of a local's attitudes on successful localisation?**

A11a A huge amount. If they're not proactive, in terms of learning and actively participating in delivery of projects, and trying to push themselves to further their careers, then you'll never, ever localise the business. If your nationals are sitting back, and just being along for the ride, they will never, ever take over the lead roles.

Q12   **Can you tell me about HR Training programmes? Are they an important to the success of localisation?**

A12   Yes, without question. If you don't actually have the training programmes, you're never, ever going to see your people progress in any way. It's important that the HR training programmes have an understanding of the level of competence of the people that you're actually trying to train before they start.

Q13   **How do you perceive the Governmental policy and attitudes of the government in achieving localisation in both the public and private sector?**

A13   That's a good question. Let's concentrate on the private sector, our own sector. Governments come up with policy. Governments don't always understand the industry. In fact, they probably have a very limited understanding of the industry. They're developing a policy based on what they believe is an appropriate timescale, politically, to keep them in office. It actually has no reference to the training and competence they require to get the people to have the skills to actually enable you to localise the business.

Q13a **What are your thoughts on whether the government is more influential on either the private or public sectors, or whether there is equal bias?**

A13a Probably, mmmm a difficult question. I think, in terms of localisation, public sectors in everywhere I've been are entirely national anyway, so the focus is to nationalise private sector, again, with no direct influence of the private sector. They don't involve the private sector in setting the localisation targets.

Q14 **What are your thoughts on delivery and performance in relation to % of local content?**

A14 Delivery and performance on percentage of local content. Hmm. It's that balance. What is important? Is it cost? Is it delivery? Is it performance? Is it quality? I think it's difficult to put it overall, isn't it? Because I think experience is that every project is different. I think certainly some of the places I've seen- if you look at Angola- you haven't been in Angola. But if you actually look at Angola, I would say that is an absolute failed localisation model, and that they have imposed targets. But those targets have not worked, because the cost of imposing those targets is far higher than the benefit.

So, as much as they have very strict localisation and nationalisation targets, the work is all going out of country, because it's actually cheaper to do the work abroad. So, it's failing. It's not adding any value whatsoever. I hope that answers your question.

Q15 **What impact does the quality an undergraduate degree have on employment of locals in (1) the public and (2) private sectors?**

A15 It should have a massive impact, but I don't think it really does, because in some places, you just don't have enough resources, so you're forced to take what's there, rather than really going for the well-educated personnel.

Q16 **In your opinion, to what extent do salary and benefits impact on localisation?**

A16 It's very important. Mmmmm, benefits' impact on localisation?

I think they're important in terms of retention of personnel. Do they really fast-help, in any way fast-track localisation? I'm not so sure.

Q17 **What are you views on 'poaching' of resources between competitors?**

A17 It's inevitable. If you're entering a country and you're not first in, and you have to gain market share, and you need to have a certain percentage of localisation, you will take what you can get. It's inevitable. At the end of the day, it will bring additional people into the market. It will inevitably mean that we've all got to go out, hire new people, train them, and they will at some point in time move on. So, yes. Can it be controlled? I'm not convinced, successfully.

Q18   **What would you consider the main barriers to localisation within the local labour market?**

A18   Again, government drivers not really aligning with the business needs, with lack of trained resources, lack of universities aligning with the type of people that you actually need to hire. Again, going back to the old brownfield versus drilling reservoir management type focus that they had in Kazakhstan that just didn't give us the type of people that we needed. I think there's also perception- people, local people tend not to grasp localisation enough and take enough ownership. If they don't take the ownership, you really will never get to the place you need to be.

Q19   **Why would you think organisations characteristics are important in achieving localisation?**

A19   Yes, I think, again, a lot of the people that you're dealing with have very little knowledge of the industry outside of the country, their home country. They're probably attracted to (a) the clients first, because they tend to know that's a job for life. Then, the service companies come further down the list of preferences on who they would like to work for.

But the Internet's a great thing, nowadays, and they all know the bigger companies and the better companies to work for, so they want to work for the bigger organisations, without question. Sometimes, without actually thinking things through. I think a good example of that is when you get a lot of people- there's a big capital project coming on, with a two, three year duration. They think that's a job for life, and then it's not until two and a half years through it that they realise that six months, and they're out of a job. So, planning short-term. They'll take that extra little bit of money before they will actually think long-term.

Q20   **Would you consider Implementation of a Business Strategy is important in achieving localisation of a subsidiary? How?**

A20   Yes, absolutely. If you don't have a strategy, then the chances are, you'll never, ever implement any type of localisation plan. You will just go along with what is acceptable at the time. How? Again, it's that link down, isn't it? It's a corporate strategy to the local business strategy, into local plans.

Q21   **Would you consider recruitment and selection as key components of the localisation process in both (1) local, and (2) expatriate contexts?**

A21   I think it is, definitely, on the ex-pat side. It's critical on the ex-pat side to get the right people, with the right attitudes, that understand that they're coming in to work themselves out of a job. Success is working themselves out of a job. I could take that further into the context of: do the companies that are employing them reward the people that are really good at that? I don't think they are.

But, in terms of locals, it's probably less important, because you've got, in some cases, a very small market of people to pick from. So you tend to have to take what you can get, so it's not always about making sure you're taking in the right locals with the right attitude to learning and development. It's what you can actually get, at the time.

Q22   **Is there a compelling need for foreign labour?**

A22   I think there is, if you are looking to fast-track setup of a business, specifically in oil and gas, and what we're doing. The type of work we're doing, in some cases, can be fairly safety-critical, so you need to ensure that you've got the technical competence. If you had longer, and money wasn't such a driver, you might be able to do it locally. Because there are local companies and competitors out there that can do it successfully, it maybe takes them longer to get to the same place. But, I think, for the type of work we do, trying to do it without foreign labour, and without being able to implement management systems etc., I think would be quite difficult. Where? well…

I think it depends on the maturity of the market you're entering. If you look at Nigeria, the assumption is that we haven't really done anything overly complex there, but you probably won't need to bring in design leads, etc. But in Mozambique, Tanzania, and all the east coast African countries, you're going to be starting from scratch. There is no history there, so you're going to have to bring the whole lot in with you.

Q23   **Describe what level of responsiveness is necessary within the local subsidiary to promote localisation and achieve targets?**

A23   That's critical. If you don't have a local management team who have bought into localisation, whether it be from a legal point or because it's the right thing to do, you're never going to get there. So, yes.

APPENDIX 3.5: TRANSCRIPT 5

Drivers for Localisation

Q1 **In your opinion, what would you consider to be the main drivers in in developing growth strategies for local subsidiaries?**

A1 Making certain that the end user, i.e. the operator, takes us into account and understands the complexities when putting tenders together. They need to be realistic targets that can be met, instead of unrealistic targets. So, it comes from the top. It's got to start from the guy with the money. That's where this will start from.

Q2 **How do local government policies influence localisation?**

A2 The local government policies, at the moment, there are two. One is they are insisting now on a high level of Kazakh equity. Example, a 50% joint venture with 50% genuine Kazak equity. The other way is measuring the content is the percentage. A local company can be deemed as having 95% personnel is considered to be a local company. There are two ways of, basically, viewing local content, how the authorities are pushing.

Q2a **What should a home country know about these policies prior to introducing a local subsidiary?**

A2a By who, do you mean and international company? The importance to understand that the content is, firstly, it is somebody else's country. It belongs to Kazakhstan. An example is of the UK, when the UK oil industry started, the Americans were all over here. Now look at the industry today. You'd say it's our obligation and duty to develop local content. It's an accepted way of behaving overseas. It also brings down cost. It's competitive.

Q3 **Do you see cost reduction as the most important driver for localisation? Why?**

A3 No, it's not. It is developing a country's capability. It's creating employment. It's creating a local industry that can do its own work in country and even export. Cost reduction doesn't necessarily cover it because there is also a performance. It's quality. What's the rate when you say performance is either 1 or 1.5 or whatever it is over..? Productivity. So that comes to count. So it is not necessarily the competitive rate.

Q4 **Do you consider technical development as a primary factor of localising a subsidiary of a home country's business, if so, why?**

A4 Yes, I do. I think it is. The Kazak's are a bright nation and pretty committed if you can win hearts and minds. They're a technical race, if I was to say. Yes, it is important.

Q5 **What is Social Responsibility to you?**

A5 What is social responsibility to me? The idea is to try and create as much employment from the country as possible. Raise living standards. Kazakhstan, outside the four main cities, you will find people with no power and water. Social responsibility is to employ Kazak's, who in turn, will put money back into their families and raise the standard.

Q5a   Do you consider this an important driver in the strategic decision making process?

A5a   One has to be careful when one looks at this because at the end of the day, a client is not going to pay for us being nice to people. We have to price the stuff. I think where the government mandates that you have to have %0/50 or you have to have X%, that's fine, you just live with it. But to go the extra inch or mile and start spending your own money, it's tough because you have to survive. It's a tough balance. It really is a tough balance.

Again, I would stress that it comes from the very top, the guy with the money. The operator percolating it downwards and allowing us to put money in our bits for social improvements.

Q6   What is the importance of local market knowledge (indeed knowing what your competitors are doing) prior to setting up a local subsidiary?

A6   It is hugely important. To manage information and reconnaissance and knowing what's on the ground is absolutely vital in whatever walk of life. Knowing what happens on the ground. Knowledge of how bids will be evaluated, what makes clients tick and governance, their government policies. Money should be spent by a newcomer into a country on its country knowledge. Hugely important.

You can be the best technically in the world, but if you don't understand how the country works, you put in a bid; the client will look at you and say, "This guy doesn't understand the country."

<div align="center">

Barriers to Localisation

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Q7   How important are the cultural values in host country in the context of a business entity's start-up and delivery?

A7   Cultural barriers. This is Kazakhstan or just generally? Kazakhstan? Cultural barriers? I think it's an incredibly hard working... I had not noticed the culture adversely affecting our work. The right team... I think there's an element of ex-Soviet, of the blame culture and not wanting to take on responsibility. Because, if you take on responsibility, you are liable and your family loses its jobs and everything.

This young generation is probably just growing out of it. But if you take a 50 or 60 year old, he is still absolutely ingrained in, "I must not do anything wrong." I think, actually it's a good question, that is something that an ex-Soviet country does suffer from. The older generation still suffers from that. The younger one, I think, is growing out of it. But parents could still have an influence of, "Don't stretch. Don't do this."

Q8 **In your opinion, do you think that local resources feel they have an awareness of the private sector and what is required regards skill sets to work in the industry?**

A8 The local, like a Kazak having knowledge of..? I doubt it. I doubt it very much. I think the universities, due to the various advisory committees that they have, of international companies on their advisory committees, might highlight the need. Like the example you did with KBTU of saying you guys needed to have a lot more topside facilities. I just don't think that they're advanced. At the moment they're just relying on us to lead them by the nose and just give them an interesting job, and that's it.

Q9 **What effect do you think expatriate failure has an effect on localisation?**

A9 Expatriate failure? Absolutely. You're a very good example, Jeff, of how your team grew under you and they still speak today about how you had all the doors open and you nurtured them. Now, even today, I come across people who just don't want to know about it. Talk about an example, the Caspian engineering right now, it just really hangs in the air. That's why it's hugely important, someone like you, gets in the middle saying, "I have done it. This is what we can do."

Yes. I'd say an expat with the wrong attitude would be hugely destructive.

Q10 **What is your understanding, and the importance of Local Content Planning in the context of achieving localisation?**

A10 It's like succession planning. Yes. It is very important. Again, it's asking the management to really reach out of the box. Reach out to a Kazak and say, "You're going to be in X position in a couple of years." It's hugely important and again, it should come down from the top. When we're asked to submit successional plans and tenders, it's lip service, because I don't think the clients really say, "You said this." They seem to forget about i.e. etc etc, It's follow through.

It is important. Of course it's important, and it's follow through.

Q11 **What is the impact of expatriate's attitudes on successful localisation or otherwise?**

A11 I think they're very pleased that it works. We have examples where they're not tolerant enough. There are very few second chances. Sometimes not even prepared to give them the chance. I've got examples right now over at TCO, the CATRO project and even NCOC. We just can't take these guys. We have the local companies saying, "For God's sake, we've just done this. We've just built this. Of course we can do it." It just needs that little bit of linkage to join up the two things. Yes, I think it can be very negative.

Q11a **Consider and frame your response to the above question in the context of a local's attitudes on successful localisation?**

A11a Local attitude is that they just think they're being pushed into a corner. It's as simple as that. Sometimes when we send a Kazak overseas, he's pushed into a corner and is told to sit there. He comes away six months later... I don't know if you can remember, Jeff, that particular guy, the Petrofac project. Remember? He came back and said, "I just sat in a corner." A really good guy. Right? So that happens a lot.

One other guy we did recently in Mustang, he loved it, but we had to really force Mustang to grab him and take him to meetings. He loved it and is now our best friend. It takes effort. People don't want to do it. The only answer to that is, basically, the Kazaks think that they get given short shrift.

Q12 **Can you tell me about HR Training programmes? Are they an important driver to the success of localisation?**

A12 HR training? Yes, I think the HR programme is run by Kazak's, as we do have an example in Kazakhstan. I think they do try and push the Kazak's as strongly as they. Training is, of course, important.

Q13 **How do you perceive the Governmental policy and attitudes of the government in achieving localisation in both the public and private sector?**

A13 An example, we can talk about localisation, we're also talking about good service, right? Kazakhstan is deemed to be a complete and utter disaster. Complete. When they've analysed it, of the 50 billion spent, it worked out that 3% was spent in country. It was a disaster. The country is absolutely determined that it doesn't happen again. Hence these rules that have come in about joint ventures and high local content. Invoices are not paid now unless you actually prove that you have lived up to your local content percentage that you tendered for.

Q13a **What are your thoughts on whether the government is more influential on either the private or public sectors, or whether there is equal bias?**

A13a The government itself pushing the public state or the..? The public sector just has to jump. If the government says you jump, you jump. Right? The money comes from the government so that's a very powerful link. The one to the private sector is where the really big money comes in. All the investment is into the private sector so they just have to be a little bit wary that they don't come in with rules and regulations that frighten investors away.

Right now, these countries, Kazakhstan, have been careful. Nazerbayev has just visited the UK and he's been trying to get inward investment. He's got to be very careful he doesn't make it so unattractive for investors, be it operator or local government or a service company who will say, "Stuff it. It's too big a risk." It's a balance. On one hand, direct control. This one they've got to be slightly more careful about. But the big money is coming in from the private sector.

Q14   **What are your thoughts on delivery and performance in relation to % of local content?**

A14   Delivery of performance? Can you say it again? Okay. We recently, on the contract with Maersk, we agreed to give Caspy 40% of the work. They actually tended to overdo the work. They were coming with too much detail. They were doing too much. They were doing detailed engineering almost; they were doing a deep feed. So we had to pull them back. At the end of the day, what's come out of that is, yes, they did the work, but they need supervision. It's just a learning curve. Next time around they'll get it right.

Is it a success, yes. Absolutely. I saw the management team the other day and absolutely no sweat at all.

Q15   **What impact does the quality an undergraduate degree have on employment of locals in (1) the public and (2) private sectors?**

A15   What impact? I think it's essentially nowadays. I think it's just one of these things that if you don't have a degree, you just don't get past HR at all. In Singapore, if you don't have two degrees you're in trouble. I'd say it's a mandatory thing.

Q16   **In your opinion, to what extent do salary and benefits impact on localisation?**

A16   The Kazak's really had no choice. That's their market. They can't just swan around. They can't go around like the UK, the EU; things can just be shipped out. That is their country. That is their job. They take what they can get and what they're given. Obviously the government insists on certain pensions and they've got to be very onerous. They're very protective. In fact, the Kazak laws, the personal for people, it's very protective of the local people. You can't terminate people.

If there's shortage, salaries go up and if there's shortage people will offer more. It's supply and demand, absolutely. It's as simple as that.

Q17   **What are you views on 'poaching' of resources between competitors?**

A17   Again, its supply and demand. We had an unofficial arrangement in Kazakhstan; we had a gentleman's agreement, where we would not take people from another company unless we'd spoken about it etc. It's illegal to actually stop somebody moving. What do I feel about it? At the end of the day, are you restricting somebody's earning power? If I'm looking at it from an employee's point of view, I would like to be able to earn as much as I could. If I was good at my job I don't want to be restricted from joining another company. Coming from both ways, it depends on where you are.

Bottom line is, it's not legal. You can't stop it.

Q18   **What would you consider the main barriers to localisation within the local labour market?**

A18   The acute shortage of local people and skills and services that can hit the ground running. It's all very well taking a graduate who has not experience, but if you've got to wait three years before he can do anything, you're in trouble. There's going to be a huge shortage coming up. There is TCO, there's KPO, there's Kashagan and there's a polar project. Very soon there's going to be a massive shortage. The restriction is, there's only a certain pool, and they're going to be allocated. You've got another lot coming in, absolutely no experience at all, so this is going to be a huge restriction. What's going to happen? The operators are going to go to the government and say, "You've got to increase the numbers of international work permits if you want this project to go ahead because there just aren't the local people to do this job." Okay? That's what I see coming up.

Q19   **How would you think organisations characteristics are important in achieving localisation?**

Again, it's how you make up the management. Americans are particularly bad at coming in and basically nurturing local companies, they just don't do it. The Brits are much better at it. I think it's all down to the culture of the company. I think 'Oilco', we push this local content and the attitude we are proud if it etc. It's down to, again, from the top down. Management.

Q20   **Would you consider Implementation of a Business Strategy is important in achieving localisation of a subsidiary? How?**

A20   Absolutely. Yes. Because, in your strategy you will be saying... Russia is an example. We don't have a single expat on that job. We haven't had a single expat on that job for the last ten years. That's completely Russian managed. I think, to be successful today, is that should be the vision. You tell your local people, "Guys, you can run this company one day."

Q21   **Would you consider recruitment and selection as key components of the localisation process in both (1) local, and (2) expatriate contexts?**

A21   Absolutely. Yes. You should really try and be the employer of choice. I think PSN KazStroy has a good reputation. I think, in your particular case Jeff, you have a huge following. Yes, it's very important.

Q22   **Is there a compelling need for foreign labour? Where?**

A22   Yes, there is a compelling need. The need for foreign labour will come when a particular country has so many projects that it uses up its usable, experienced resource pool. You can have hundreds of graduates coming up, but they are of no use to you. Okay? Absolutely. Market saturation.

Q23   **Describe what level of responsiveness is necessary within the local subsidiary to promote localisation and achieve targets?**

A23   To local..? Let me just think a minute about it. It will all come down from; we're going to be putting in tenders. We're going to be putting in percentages which are committing us. We'll either lose work because we didn't have enough local content.

APPENDIX 3.6: TRANSCRIPT 6

Drivers for Localisation

Q1   **In your opinion, what would you consider to be the main drivers in developing growth strategies for local subsidiaries?**

A1   I guess it's, know who your competitors are, understand what your customers need and understanding culture.

Q2   **How do local government policies influence localisation?**

A2   From an HR point of... It's obviously important to understand how we employee somebody and what benefits they're entitled to. Just understanding the market compared to what expats, and trying not to have separation. They're there to work together, but there's obviously certain things that we need to put in place for locals and certain things for expats.

Q2a   **What should a home country know about these policies prior to introducing a local subsidiary?**

A2a   I think it's really important. You need to know how that country operates in order to follow their legislation.

Q3   **Do you see cost reduction as the most important driver for localisation? Why?**

A3   No. I guess in the current climate, yes it is, but not always.

Q4   **Do you consider technical development as a primary factor of localising a subsidiary of a home country's business, if so, why?**

A4   Yes. I guess it is in order to grow that business. In certain areas we take in expats at a level to train and mentor these people in order for them to then grow and develop the business further. So, yes.

Q5   **What is Social Responsibility to you?**

A5   For me, it's about how the company works with the local, if it's environment or government body, in order to promote the company as well as helping that country develop.

Q5a   **Do you consider this an important driver in the strategic decision making process?**

A5a   Yes. It's about making a mark for ourselves in the country, but also, how can we help the local environment as well as local people there? How can we better their lives for them as well?

Q6   **What is the importance of local market knowledge (indeed knowing what your competitors are doing) prior to setting up a local subsidiary?**

A6   We know what our competitors are doing. It will then show us if there is room for us to come in. Will there be a proportion of work that we can get?

<center>**Barriers to Localisation**</center>

Q7   **How important are the cultural values in host country in the context of a business entity's start-up and delivery?**

A7   I think it is really important because we need to consider how that culture operates in order for us to achieve our business goals and a successful start-up. We need to engage with the correct people to get a better understanding and get buy in from them as well.

Q8   **In your opinion, do you think that local resources feel they have an awareness of the private sector and what is required regards skill sets to work in the industry?**

A8   Not always. I think it is dependent on the country that we operate in. There are some that are well established, for example, Nigeria. But then if you look at, Israel, there is a very small proportion that actually understand what we do. They don't see where their skills can actually transfer into what we're looking for. There is the whole building the knowledge and training pieces there that we need to work with.

Q9   **What effect do you think expatriate failure has on localisation?**

A9   Yes, definitely. It's difficult. If the expats go in with a mindset of... They need to gain the respects of the people that are there and change the local mindset into how we want to operate and what the business goals are. If we don't do that, have a positive engagement at the start, then, yes.

Q10   **What is your understanding, and the importance of Local Content Planning in the context of achieving localisation?**

A10   If we don't have it planned out correctly, with the correct people in the roles to mentor people to increase local content, then... I can't remember what I was saying now, sorry. I totally lost my...

We've got to have a plan there. Only once we're in country it might then develop further. But if we've got a basic understanding of what needs to be done, then it's a good starting point.

Q11   **What is the impact of expatriate's attitudes on successful localisation or otherwise?**

A11   For expats, they need to understand that they're going there to train and mentor people. It's not a job for life for them. It is about sharing knowledge and bringing those people on. They do need to have the right mindset and attitude from day one.

Q11a **Consider and frame your response to the above question in the context of a local's attitudes on successful localisation?**

A11a I think, if we get the correct people in, in order to help them gain the knowledge and expertise that they need, and that they can see that there is a career path for them, then I think that helps us greatly.

Q12 **Can you tell me about HR Training programmes? Are they an important driver to the success of localisation?**

A12 You know what, yes they are, but only if they're communicated properly and they are a continuous improvement. They are a way of continued improvement for the employees. If you go in and say you're going to use this tool and then forget about it, and then introduce it 18 months later, it's like, "I've already done this and nothing happened." So, yes.

Q13 **How do you perceive the Governmental policy and attitudes of the government in achieving localisation in both the public and private sector?**

A13 From what I've experienced, they've always been quite positive. However, I think they also see it as a means to improving that country because we can actually bring money in. Is it all about their people or is it what they can get as well? I think there is a bit of a balance there.

Q13a **What are your thoughts on whether the government is more influential on either the private or public sectors, or whether there is equal bias?**

A13a I wouldn't say it's equal. I think they've probably got more influence... To tell you the truth Jeff, I'm not really sure because with the union and things like that, there can be an influence there and a driver to say, "Well, look, you're working for a private sector so you can get additional benefits etc." Whereas the public sector, they probably get treated equally as good, but they don't get as much. Does that make sense?

Q14 **What are your thoughts on delivery and performance in relation to % of local content?**

A14 I think it's important that we don't rush it. Take the time to train the people that we need to, to ensure they've got maximum understanding. It's also highlighting those that we can develop and take further. There are some that will come in and do the job that we need them to do, great. We need people like that. But work with those that we know that will develop into higher positions which will ultimately maximise our nationalisation as well.

Q15 **What impact does the quality an undergraduate degree have on employment of locals in (1) the public and (2) private sectors?**

A15 They need to have work experience. There are many of these countries that we've got people that have got two or three different degrees but never worked. It's quite difficult to... Yes, we want educated people but we also need work experience in order for them to come in and do what we need them to do. Is that the kind of thing that you're getting at? Are you sure? Okay.

Q16 **In your opinion, to what extent do salary and benefits impact on localisation?**

A16 Again, it's going back to knowing the market. If we get it right at the start with understanding the local market, the culture... It could even be working alongside our competitors to understand what benefits that they have to ensure that we're not too different from anyone else.

Q17 **What are you views on 'poaching' of resources between competitors?**

A17 I don't think it's good for the market. If we work with our competitors and our customers so that we're aligned on what training is required, if there is an understanding of what the basic salary and benefits are, then that would prevent people going for higher salaries. Which would then also help the market recover, rather than having overinflated benefits etc. Then, if people did move on, it would be for their own personal development.

Q18 **What would you consider the main barriers to localisation within the local labour market?**

A18 Probably specialist skills that we would need. Knowledge of the oil and gas industry, culture, and possibly even language.

Q19 **How would you think an organisations characteristics are important in achieving localisation?**

A19 I guess the bigger the contract we have, the more we need. There tends to be the ratio between expats and locals. If it's a big contract and we're not set up properly to start with, then we're going to have issues when it comes to training and getting them to understand the whole culture. What's actually required of them. If it's smaller, we can maybe try and pick and choose a little bit more.

Q20 **Would you consider Implementation of a Business Strategy is important in achieving localisation of a subsidiary? How?**

A20 Yes. We need to know where that business is going in order to grow the business, to understand localisation figures. It goes back to me saying, "Take the time to train people correctly." If you know in two years you expect to have three contracts, that gives you three years to take the right people in, to train them, to backfill and grow the business that way.

Q21 **Would you consider recruitment and selection as key components of the localisation process in both (1) local, and (2) expatriate contexts?**

A21 Yes. I think it's important that the tutor fully understands what the contract is, what the people that are being hired are to do, so, work with the functions. Keep specific key skills, not only for expats, but locals as well. Yes. Get the right people in to start with. It's not a case of... We should have it planned out that we know what types of people we need at what stages. It's not a reaction saying, "We need this person, they'll do," and then it doesn't work.

Q22   **Is there a compelling need for foreign labour?**

A22   I think there probably is. I'll probably use, just from what I'm working on just now, Israel being one of them. Because the skills aren't there, the oil and gas industry isn't something that they're aware of, so it's about taking in foreign workers that do have that experience to work with locals in order to train them or just give them more understanding of what we actually do.

Q23   **Describe what level of responsiveness is necessary within the local subsidiary to promote localisation and achieve targets?**

A23   It goes back to the social performance part. Following the correct government policies and working with the correct government bodies to ensure that we're meeting legislation. We listen to our workers. I guess it's just communication that is key. Okay?

APPENDIX 3.7: TRANSCRIPT 7

Drivers for Localisation

Q1 **In your opinion what would you consider to be the main drivers and developing growth strategies for a local subsidiary?**

A1 The main drivers and growth strategies, it is a good question Jeff. Ultimately it is about increasing the amount of work that we are doing in the industry, it really is as simple as that. Whether that is UK, Africa or anywhere else in the world you have got to have a bit of thought about how you are going to grow your business.

Q2 **How do governmental policies influence localisation?**

A2 They are vast and varied depending on where you are. They can at times be a barrier to entry because they can be over onerous when you come, a new set up is probably the right way to put it. If you are going in somewhere, you know about the Nigerian market as well as I do and the high local content that is required. If you are going in there and you were not an 'Oilco' with the resources that we can potentially throw at it you could really struggle to set up a new entity there. They can be a barrier I think.

Q2a **What should a home country know about these policies prior to introducing the subsidiary.**

A2a Can I read that question you have just asked me? Tell me about the importance of a home country company?

Ourselves, prior to setting up.

Explain what you mean by that question Jeff if you don't mind.

How important do you think they are to understand what the government drivers are?

For us?

For us, before we go in

Before I think it is absolutely imperative; if you don't understand it you are going to get it wrong and you only get one chance to impress a government in this stuff. If you do go in and get it right it is not just government it is all the stakeholders that are part of it. It is really important that you actually nail that.

Q3 **Do you see cost reduction as the most important driver for localisation?**

A3 No, I don't. It is a factor, I don't necessarily see it as the most important factor though. I actually think the most important factor is we have a responsibility when we go into a country to build the capacity and capability. That is how you end up with a sustainable business and not just a short-term business.

Q4 **Do you consider technical development as a primary factor of localising a subsidiary?**

A4 Yes, I do.

If so, why?

Local content is not driven by having 10 drivers that is a shallow commitment to what you are trying to do. Just like we'd take in apprentices and graduates into a UK business or a US business we should be absolutely be doing the same there and building up the technical competency in the country. It is really important that you do that.

Q5 **What is social responsibility to you?**

A5 A range of things. It is training and development, it is local hires and it is doing community support work. It is getting involved in health programmes and education programmes and working in universities. We should be looking where we contribute to local universities, course content, lectures and all of that sort of stuff. That is all covered for me in social responsibility.

Q5a **Do you consider social responsibility is an important driver during the strategic making process?**

A5a Absolutely.

Q6 **What is the importance of local market knowledge (indeed knowing what our competitors are doing) prior to setting up a local subsidiary?**

A6 You can do it without knowing it, but you won't do it as quick as you should and you won't be as competitive as you should. You also potentially learn where they got things right and got things wrong in their setup process. You are going to look and sometimes if you ask them questions they will you even though they don't want to encourage competitors. If you go in as a competitor it is amazing the loose lips people have at times.

Barriers to localisation.

Q7 **How important are the cultural values in a host country in the context of a business entity start-up?**

A7 I think they are very important. You have got to understand where the culture impacts on the business, where it potentially impacts on things like our ethics policy. All that side of things can be impacted by local culture. You well know if you are in somewhere like Asia for example the way you handle their business card can either make or break a deal.

Q8   In your opinion do you think that local resources feel they have an awareness of the private sector and what is required in terms of skillsets? The private sector being our own industry of course.

A8   In broad terms no. Certain geographies will have different views on it because certain areas will be better educated. If I just look at this from an African content Geoff, which is the last six years' experience. There are certain countries that they have no knowledge and they actually don't desire any knowledge. In their micro world it is not an important aspect.

Q9   What effect do you think expatriate failure has on localisation?

A9   It absolutely does.

Q10   What is your own understanding, and the importance of local content planning in the context of achieving localisation?

A10   That if you don't plan you don't deliver would be my general view. If you fail to plan fail to deliver. It really is as simple as that. You need to really map it out and understand what are you trying to achieve, what is the end goal? If you look at Cameroon where we took Gilberte who was an admin assistant and she is now the general manager, that didn't happen by accident.

Q11   What is the impact of an expatriate's attitude on successful localisation.

A11   Quite often it is going to be the difference between success and failure. If you have got an expat who is just in job preservation mode and doesn't want to develop local content and actually deliberately holds them back. It doesn't give them the exposure, the experience and the hands on training you are looking for them to give and then it won't happen. Vice versa, if you have got somebody who is really into it and really wants to develop it and bring it along then you can get great results.

Q11a   Consider and frame your response to that question in the context of a local's attitude to localisation.

A11a   In what way do you mean that?

The impact of a local's attitude.

A11a   That is quite interesting because a lot of the time personal opinion the locals get a little bit of experience and think they can do an awful lot more than they can. They don't necessarily fully invest in the process of the learning and the opportunity to learn from the experienced people around them because they think they know more than they do too quickly. The ones who get that right and understand it is not just a six month journey but it is maybe a two or three year journey, a longer journey, really come out of it very well. The ones who think they are already there and stop learning stagnate.

Q12   Can you tell me about HR training programmes? Are they are an important driver to success of localisation?

A12   When you say HR training programmes do you mean programmes run by HR or actual HR training?

Programmes run by HR. I guess succession planning may be one.

Succession planning, yes there is something there. My own view is HR administers the programmes, but they should be run by technical people for technical training. I think trying to push that to HR to run generally doesn't end up well.

Q13 **How do you perceive the governmental policy and attitudes of the government in achieving localisation in our sector?**

A13 Again varied dependent on the geography you are in. I see places like Equatorial Guinea who have forced a training school and forced the operators and service companies to commit to that training school to build capacity. I think that is really fantastic that they do that. They have pulled together a really good programme which we are part of, but not just because we are part of that. I actually like the fact they have got the vision to set up an apprenticeship school and are trying to train people for the industry.

There are other places that just leave it to us and expect that we are going to take that cost. It is a big cost. We have spent and recovered in excess of £85m in five years. We have not even scratched the surface of what we really need to get done, so governments have got to take a key role here in driving. If you look at it from a levy standpoint that is effectively what happens in EG it is a levy that you have to pay to get people through training schools so that they are ready for going offshore. More governments should take that proactive approach.

Q13a **What are your own thoughts on whether the government is more influential or biased towards public versus private sectors?**

A13a I don't think a lot of governments really have clear thoughts and policies around that if I am being honest. Again I am answering this purely from an Africa standpoint Geoff. When you go and talk to a lot of the governments they are just desperate for somebody to come in with money to spend in that area. Whether it is public or private makes very little difference to most of the geographies that we are operating in.

Q14 **What are your own thoughts on delivery and performance in relation to the percentage of local content applied?**

A14 Explain what you mean by that just so I can get it clear.

More local content applied to a specific delivery. Let's use our own delivery engineering delivery or engineering service. What effect does that have or what are your thoughts on how it effects performance?

Again this is probably a multi layered answer to some extent because it will depend on the geography and how long the industry has been in that geography. If you look at Nigeria they have got high expectations of work getting done in country. Some of that so that they can local content trained, which I don't think is a bad thing. I know people will raise their eyebrows at it and it probably drives cost in the wrong ways sometimes. The cost [challenge] like we are in just now that probably raises more questions than not. I have had conversations with the Mozambique Government and they are saying 10% expats only from day one in an industry that has got no history. It needs to be more progressive than that. It needs to scale it to say over a 5 or a 10 year period that is where we want to get to. Early days in the process you would like to have more expats then providing you have a structured programme on how you are going to train and develop nationals.

Q15   What impact does the quality an undergraduate degree have on employment of locals?

A15   That is a good question because obviously that is a varying quality across the park. It doesn't stop us hiring, it probably means depending on the quality of it we have got to put in more or less training to get an individual up to the level we want them to be at. An awful lot of it for me Geoff depends on the behaviour and attitude of the individual you bring in and not necessarily the quality of the degree they have got. I think if they have come in with the right behaviour you can still continue to train and develop them up to the level you need them to be at.

Q16   In your opinion, to what extent do salary and benefits impact on localisation around a social contract?

A16   Again a good question because it can have a big impact. There are some areas that try to insist that a national has to be paid the same as an expatriate doing a similar type of job. That is unrealistic. I hate to draw an analogy back to McDonald's but McDonald's actually get it right. McDonald's costs you the same everywhere in the world based on what you earn. It is the same amount of disposable income cost. Just looking at pure salaries isn't the right measure, £100,000 for a British expat and £100,000 for somebody working in Chad the guy working in Chad is a millionaire at £100,000, so you have got to tailor it. If you don't the impact you would have on the entire community in driving inflation the wrong way is detrimental to that community. You have got to be very careful about that.

Q17   What are you views on poaching of resources between competitors? Let's take Africa as an example.

A17   In a free and open market it is going to happen isn't it. To some extent we should guard against it. We were trying to train people, but we shouldn't be that precious or even that arrogant to think we have always got the best processes and systems and other people don't have better and people would benefit more from being somewhere else.

Q18   **What would you consider the main drivers to localisation within the local labour market in your own opinion?**

A18   It is just about employment isn't it. Again this is purely from an Africa standpoint Jeff in most of the communities it is about employment. Somebody in the family being a breadwinner to feed the family.

Q19   **How would you think an organisation's characteristics are important in achieving localisation?**

A19   I guess if you look at it from our standpoint the core values. The values that we have as a company don't always mirror the values of the community that we operate in. Being able to get that alignment there when you can actually makes sure that we get to a place where our company values are upheld. I think when that happens we can, not always and this probably sounds arrogant, that can have a positive impact on local communities.

Q20   **Would you consider implementation of a business strategy is important in achieving localisation of a subsidiary?**

A20   Absolutely.

Q21   **Would you consider recruitment and selection as key components of the localisation process?**

A21   Yes.

Q21a **In both contexts local and expatriate?**

A21a Yes, we talked earlier about if you got the wrong expat and the wrong behaviours you destroy any programme you put in place anyway.

Q22   **Is there a compelling need for foreign labour and where?**

A22   Yes there is. The industry we operate in is a hazardous industry, so to put people in position without the competencies means you put people's lives at risk. There is absolutely a need where you are going into territories that have had no activity in the sector and have no experience and no competence in the sector that you have to bring foreign labour in to bolster it up.

Q23   **Describe what level of responsiveness is necessary within the local subsidiary to promote localisation. So I guess responsiveness of the management in the country to achieve targets.**

A23   It is vitally important isn't it? If the local subsidiary doesn't believe in it, doesn't drive it and make it happen it won't happen. That is management all the way through, you need everybody bought into what you are trying to achieve there and you need to drive it all the way through.

APPENDIX 4.1: QUALITATIVE ANALYSIS – IN-COUNTRY KNOWLEDGE

IN-COUNTRY KNOWLEDGE

Respondent	Expatriate Adjustment	Not used	Leadership Techniques	Geographical Location
Respondent 1	"They are not necessarily establishing routes in the organisation or the local environment longer term...skillsets are not necessarily getting developed or passed down...so there can be a disassociation from the company"		"...you also want to get the right culture, the right approach, the right willingness to be part of a new organisation...in an organisation that is establishing and growing then that team ethos, the culture, is extremely important" "I think it is really important that they are at the front end of the process and having the ability to modify the strategy as needed as well and refine it and feedback lessons learned into the wider organisation"	there are some countries that have strict and quite developed policies for nationalisation and we absolutely consider that in our strategy for starting an entity in country" "I don't think it is necessary a formal barrier but it is absolutely something we take cognisance of" "Other areas say for example Ghana is a developing market"
Respondent 2	"Yes, I think it can have huge reputational damage if you've got people that don't behave properly, and don't uphold the company values, and don't understand that they have a mentoring responsibility...it can cause damage and resentment...we're not here to sustain jobs for expats"		"The rules change all the time so we should be saying – well, actually this is as fast as we possibly can go. Beyond that we cannot guarantee safety of the operation or maintenance of the core values, therefore not going to do it" "Yes, I think it can have huge reputational damage if you've got people that don't behave properly, and don't uphold the company values" "Ultimately be prepared to walk away if somebody says, no, we insist. You say. Well we can't do it. We're not going to do it, because it will break their core values"	"But they are never going to get much bigger even although there is a potential market there, because our experience is that the tax authorities don't play the same with local companies as they do with international companies"

IN-COUNTRY KNOWLEDGE (Continued)

Respondent	Expatriate Adjustment	Not used	Leadership Techniques	Geographical Location
Respondent 3	"Yes, and we have seen that in a number of places...they become aware of the numbers, the monies these people are getting. They're aware of the lack of interest...They're there. It's (locals) their business or their life and their career and we're not looking after it...It frightens them I think just in terms of the contract, but how can they develop when you've got all these people wandering in" "If there's a whole group of them, they're just travelling around. They will be there for a year or two years if you're luck, they get fed up and then move on. They are not interested in training people"		"It's having an empathy with people there and helping them" "I want those people to feel proud of the company they're working for and know that we're looking after them"	"You need to know what is acceptable practice in these parts of the world in terms of supplies as well because I think that would be part of your strategic decision making way to enter the country"
Respondent 4	"Failure. Yes, it would have an effect on localisation...they (locals) like to see they like to feel they're part of something...the one thing I've seen is that locals in the countries that I've been involved they like continuity"		"I could take that further into the context of; do the companies think that are employing them reward the people that are really good at that. I don't think they are" "If you don't have a local management team who have bought into localisation, whether it be from a legal point of because it is the right thing to do, you're never going to get there"	"Like Nigeria will be different in different regions. What matters to them, how does that fit with our cultural values and what are we going to do about it?" "But in Mozambique, Tanzania, and all the East coast African countries, you're going to be starting from scratch"

IN-COUNTRY KNOWLEDGE (Continued)

Respondent	Expatriate Adjustment	Not used	Leadership Techniques	Geographical Location
Respondent 5	"Expat failure, absolutely...now even today, I come across people who just don't want to know about it. That's why its hugely important someone like you gets in the middle saying, I have done it. This is what we can do"		"It's hugely important (succession planning context) and again, it should come down from the top" "We have examples where they're not tolerant enough, there are very few second chances, sometimes not even prepared to give them (locals) the chance" "Sometimes when we send a Kazakh overseas, he's pushed into a corner and told to sit there"	"So they just have to be a little bit wary that they don't come in with rules and regulations that frighten investor's away"
Respondent 6	"Yes, definitely...They need to gain the respects of the people that are there and change the local mindset into how we want to operate and what the business goals are"		"We need to engage with the correct people to get a better understanding and get buy in from them as well" "They need to gain the respects of the people that are there and change the local mindset" "Work with those that we know that will develop into higher positions which will ultimately maximise our nationalisation as well" "We listen to our workers. I guess it is just communication that is key"	"There are some that are well established, for example Nigeria, but then if you look at Israel there is a very small proportion that actually understand what we do"
Respondent 7	"It absolutely does" "Quite often it is going to be the difference between success and failure if you have got an expat who is just in job preservation mode and doesn't want to develop local content...Vice versa, if you have got somebody who is really into it and really wants to develop it and bring it along, then you can get great results"		"If a local subsidiary doesn't believe in it, doesn't drive it and make it happen, it won't happen...need everyone bought into what you are trying to achieve there and you need to drive it all the way through"	"They are vast and varied depending on where you are. They can be at times be a barrier to entry because they can be over onerous when you come" if you don't understand it you are going to get it wrong and you only get one chance to impress the government"

Respondent	Local Labour Market	Local Universities	Language Barriers	Not Used
Respondent 1	"It's hugely important; there are a lot of subtleties in the way people engage in the local market place…during setting up you can make an awful lot of mistakes, you can spend a lot of money…from an opportunity perspective so we can maximise potential as well which is very important"			
Respondent 2	"We think that actually no matter how hard you try it's almost impossible to gain sufficient market knowledge without actually committing to being in a market…we reckon it probably took 3-5 years to get to the point where you understand the true sustainability of a market" "Yes (recruitment & selection) and difficult to do, and one of these areas where if it's not done well, applying a westernised process to a local recruitment effort has potential difficulties"			
Respondent 3	"You need to understand what that supply chain can supply you with and the quality it can supply you with and what the challenges are in terms of money…you're right in the sense you need to know what the competitor is up to and how well they're engrained there as well…you need to know what is the acceptable practice in these parts of the world" "Awareness of the company (localisation barrier)"			

Respondent	Local Labour Market	Local Universities	Language Barriers	Not Used
Respondent 4	"…it's critical in terms of how you, mmm go back to the maturity of the market, if it's a very mature market you're entering, you really need to understand the local market to make sure you get your pricing right" "But, in terms of locals (recruitment & selection), it's probably less important, because you've got in some cases, a very small market of people to pick from"	"I think they're very slow in some places, especially when it's a new industry like oil and gas, to pick up on making sure that the training and the universities are aligned" Main Barriers – "lack of trained resources, lack of universities aligning with the type of people that you actually need to hire"		
Respondent 5	"It's hugely important…Knowing what happens on the ground. Knowledge of how bids will be evaluated, what makes clients tick and governance, their government policies…You can be best technically in the world but if you don't understand how the country works…the client will look at you and say, this guy doesn't understand my country"			
Respondent 6	"We know what our competitors are doing, it will then show us if there's room for us to come in"			
Respondent 7	"You can do it without knowing it, but you won't do it as quick as you should and you won't be as competitive as you should. You also potentially learn where they got things right and got things wrong in their set up process"	It's getting involved in health and education programmes and working in universities…Absolutely (importance)"		

APPENDIX 4.2: QUALITATIVE ANALYSIS - GOVERNMENTAL

GOVERNMENTAL

Respondent	Law & Policies	Work Permits	Conduct	Ethics/Bad Practices
Respondent 1	"Some of it is mandated by local governments" (corporate strategy tie-in) "Certainly an area for consideration...there are some countries that have strict and quite developed policies for nationalisation and we absolutely consider that in our strategy for starting an entity in country" "I don't think it is necessary a formal barrier but it is absolutely something we take cognisance of" "OK mmmm, I think it is good that the government's bringing in nationalisation requirements, localisation is really important"		"I think a lot more interactive engagement would be good to look at training and development and ways of skillsets gaps filling and things like that...Sometimes it just defaults to % and numbers"	
Respondent 2	"I think in some countries you could argue and say that it has actually held back development and progress...previous experience in Nigeria, for instance, has been the insistence on localisation and work being done locally sometimes means the work doesn't get done at all" There can be (localisation) barriers there in terms of insistence, in some areas, of almost like a unionisation that guarantees continuity of work, where we can guarantee continuity of work for people...interpretation of local employment laws"		"So I think the need for a pragmatic view that say rightly a government wants as much or the economic wealth to be retained in-country as is practicable, but not to the extent that actually stops economic development" "The government has a direct influence on the public sector because normally it is the funding mechanism for the public sector...but at the end of the day, we're the service provider to a customer, and the customer probably has a more direct relationship with the government"	"So whilst a country's government may come in and say "we have zero tolerance for corruption", if corruption is endemic within the practices in a country, then it's something we have to be very wary of, that we don't end up going into a place where we simply can't operate, because we choose not to be involved in what are local customs and practices"

Respondent	Law & Policies	Work Permits	Conduct	Ethics/Bad Practices
Respondent 3			"I think they need to be clear on what they want, they need to be consistent on what they want and they need to make sure they are checking up on it"	
Respondent 4	"If you compare the likes of Kazakhstan to Nigeria and Angola, there's a complete disconnect. Some work, some don't They cause a lot of confusion because there is no consistency in how they are actually applied, whatsoever" "They don't give them any focus of attention at all. They are completely focused on setting up the business" (Importance to a home company)		"Governments don't always understand the industry. In fact they probably have a very limited understanding of the industry" "They don't involve the private sector in setting the localisation targets"	"They're developing a policy based on what they believe is an appropriate timescale, politically to keep them in office"
Respondent 5	"One is they are now insisting on a high level of Kazakh equity...A local company can be deemed as having 95% personnel is considered to be a local company...The importance to understand what the content is, firstly it is somebody else's country"		"They just have to be a little wary that they don't come in with rules and regulations that frighten investors away. On one hand direct control. This one they've got to be slightly more careful about. But the big money is coming in from the private sector"	"Kazakhstan is deemed to be a complete and utter disaster (localisation)...when they've analysed it, of the 50 billion spent, it worked out that 3% was spent in country...The country is absolutely determined that it doesn't happen again"
Respondent 6	"I think it's really important. You need to know how that company operates in order to follow their legislation"		"However, I think they also see it as a means to improving the country because we can actually bring money in. Is it all about their people? Or is it what they can get as well?"	

Respondent	Law & Policies	Work Permits	Conduct	Ethics/Bad Practices
Respondent 7	"They are vast and varied depending on where you are. They can be at times be a barrier to entry because they can be over onerous when you come...Before I think it is absolutely imperative; if you don't understand it you are going to get it wrong and you only get one chance to impress the government"		"I see places like Equatorial Guinea who have forced a training school and forced the operators and service companies to commit to that training school to build capacity...I actually like the fact they have got vision to set up an apprenticeship school and trying to train people for the industry. There are other places that just leave it to us and expect that we are going to take that cost. It is a big cost...so governments have to take a key role in driving" "I don't think a lot of the governments really have clear thoughts on policies around that if I am being honest (influence on public or private)...When you go and talk to a lot of governments they are just desperate for somebody to come in with money to spend in that area"	

APPENDIX 4.3: QUALITATIVE ANALYSIS – LOCAL CONTENT

LOCAL CONTENT

Respondent	Skills	Qualification Standard	Local Subsidiary Commitment	Not Used
Respondent 1	"the local population see the oil and gas industry as something that is potentially lucrative and potentially a good thing but they do not really have a base understanding of it" "expats who do not want to train maybe get a lack of respect from locals without the same experience" Main barrier to localisation "I think the primary thing is skillsets and knowledge and experience" "I think recruitment and selection mmm again is always important mmm you want to start, there are a number of things, you want to get the right skillsets, the right capability or the people with the potential to develop these under a training programme"	"mmm, Yes, there is definitely different standards in terms of degree levels...you cannot compare apples for apples necessarily mmm, in my experience a good degree in the UK is not necessarily matched by degrees elsewhere in the world" Main barrier to localisation "I think the primary thing is skillsets and knowledge and experience" "...sometimes a degree isn't a degree"	Localisation "increases the local opportunities in the local community as well" Local subsidiary responsiveness "I think in many ways the local business has to be at the front end of it, it has to be driving the process in many ways" "I think it is really important that they are at the front end of the process and having the ability to modify the strategy as needed as well and refine it and feedback lessons learned into the wider organisation"	
Respondent 2	"The key (recruitment & selection) there is to learn before you go on how recruitment can work, so that you do get the right skills, but in doing so, you don't damage whole bunches of other relationships" "I accept that in some countries there may be such a lack of indigenous skills that the only way to actually bring that in is to bring in skills from outside that country...this should, in most cases, not be a permanent solution. It should be a way of upskilling the locals"	"The amount of work that they're going to use from their degree is limited, because it is much about organisation...so I would say that the degree is only effectively a badge of honour to say that I am capable of learning...I recognise that most of the stuff I will learn...will be on the job"	"There's a definite need for responsiveness and flexibility to say 'if we need to slow down our localisation, this is what it would look like. If we need to speed it up, this is what it would look like' and the team not be wedded to say 'were the victims because somebody changed the rules'...ultimately, be prepared to walk away if somebody says – No we insist...were not going to do it because it will break core values"	

	LOCAL CONTENT (Continued)		
Respondent			
	Skills	Qualification Standard	Local Subsidiary Commitment	Not Used
Respondent 3	Awareness of the private sector – "some will. I suspect if you go to Angola some of the guys there will be very well developed and very clear on what required...other places literally won't have a clue because they have been fixing tractors or something...one of the eye openers for me was going to Romania, they are all top notch people fixing things 60 or 70 years old and very proud of it but not aware of what else you could do" "Competence of people, confidence that they can do the work or learn to do the work (localisation barrier)" "Oh absolutely yes (recruitment & selection) we need to be choosing people who are competent of have the ability to become confident" "Oh yes (foreign labour) ...quite often we're doing work it's within the context of Brownfield environment. People need to learn that, which is not to say they can't design a pipe, but they can't design the pipe and fit it in, in a brownfield context"	"Well, we've both got experience of when the undergraduate degree is not a reflection of the quality of people...I think you need a degree to show the level, but you also need to test them to make sure they are competent to do it...I know Robert Bell from structural used to give them tests...that's going a bit far, maybe, maybe not"	Responsiveness – "it needs to be 100%, if it's not then I think the laissez-faire attitude will develop...no absolutely, you want to see them driving. You want to see their faces coming up and saying, well can I do this?	

Respondent	LOCAL CONTENT (Continued)		
	Skills	Qualification Standard	Local Subsidiary Commitment	Not Used
Respondent 4	Main Barriers – "lack of trained resources, lack of universities aligning with the type of people that you actually need to hire...Kazakhstan that just give us the type of people we needed" "I think they're very slow in some places, especially when it's a new industry like oil and gas, to pick up on making sure that the training and the universities are aligned with the requirements of the industry. The local resources, I don't think very, very rarely get the big picture. They just want to be part of it and make money"	"It should have a massive impact, but I don't think it really does, because in some places, you just don't have enough resources, so you're forced to take what's there, rather than really going for the well-educated personnel"	Responsiveness – "That's critical. If you don't have a local management team who have bought into localisation, whether it be from a legal point or because its' the right thing to do, you're never going to get there"	
Respondent 5	Awareness of the private sector – "I doubt it. I doubt it very much. I think the universities, due to their various advisory committees that they have, international companies on their advisory committees, might highlight the need. Like the example you did with the KBTU of saying you guys need to have a lot more on topsides"	"I think it's essential nowadays. I think it's just one of these things that if you don't have a degree, you just don't get past HR at all"		
Respondent 6	"There are some that are well-established, for example, Nigeria. But then you look at Israel, there is a very small proportion that understand what we do" "...Israel being one of them. Because skills aren't there, the oil and gas industry isn't that they're aware of, so it's about taking in foreign workers"	"They need to have work experience...yes, we want educated people but we also need work experience in order for them to come in and do what we need them to do"	"It goes back to the social performance part. Following the correct government policies and working with the correct government bodies to ensure that we're meeting legislation. We listen to our workers, I guess it is just communication that is key"	

Respondent	Skills	Qualification Standard	Local Subsidiary Commitment	Not Used
Respondent 7	Awareness of the private sector – "In broad terms, no. Certain geographies will have different views on it because certain areas will be better educated...there are certain countries that they have no knowledge and they don't actually desire any knowledge. In their micro-world it is not an important aspect"	"It doesn't stop us hiring, it probably means depending on the quality of it, we have got to put in more or less training to get an individual up to the level we want them to be at. An awful lot for me Jeff depends on the behaviour and attitude of the individual you bring in and not necessarily the quality of degree they have got"	Responsiveness – "It is vitally important isn't it? If the local subsidiary doesn't believe in it. Doesn't drive it and make it happen, I won't happen...need everybody bought into what you are trying to achieve there and you need to drive it all the way through"	

	LOCAL CONTENT (Continued)			
Respondent	**Attitudes/Behaviours**	**Ethnocentricity**	**Cultural Dimensions/Values**	**Poaching**
Respondent 1	"I think locals would want expats to be mentors and gurus and people who guide them...an expat who is off-handed and not willing to train or share knowledge would be quite a frustration" "Don't necessary want to train and maybe got a lack of respect for locals without the same experience" "...expats coming in to the organisation too, you have got to have them coming in with an understanding what is expected of them...and training people"		"Cultural values have to be recognised...I have just learned that in the Lagos office we have a national dress day on a Friday...I think it is important that holidays, celebrations and religious beliefs of the local population are considered..." "We can't just be a sanitised western type company and be dammed"	"It is a free market and people have the right to move...sometimes its experience and development of knowledge and career...I think it is healthy to an extent that people get a chance to move" "However, targeting and headhunting and sort of escalation in costs because there is not enough capable people to deliver a piece of work isn't really of benefit to the industry"
Respondent 2	Expat's attitudes "They need to be mindful of the fact that is sometimes takes a long time to get people to accept the way things are...well actually, there are different solutions for different cultures.... "they feel a sense of – you've got guys coming in here doing a job and getting paid an absolute fortune... so I can't help thinking if you don't localise quickly enough, it can lead to jealousies and resentments" Yes, I think it can have huge reputational damage if you've got people that don't behave properly, and don't uphold the company values, and don't understand that they have a mentoring responsibility...it can cause damage and resentment...we're not here to sustain jobs for expats"	"I think another (localisation) barrier that sometimes we miss is where you've got local tribal or religious or ethnic differences between different groups...in reality they may well be part of different ethnic groups that really don't work together well"	"However, from experience, actually, when it comes down to it, there are very few countries that don't want to have a reputation about peoples welfare, concerned about honesty, and ethics within business...however, what comes through sometimes in practice, these high stated ethical considerations may not get translated on the ground"	"It has always been a frustration for me, particularly if we put a lot of effort into developing resources and they become marketable...they get taken away" If we treat people well and we have a strong safety culture then as people leave our organisation they take that with them...they also take a predisposition to us to say – good company –might work for them"

	Attitudes/Behaviours	Ethnocentricity	Cultural Dimensions/Values	Poaching
Respondent 3	I suppose it's the point that if you are a local and you see the expat come in and he does not care about you, your attitude will be pretty much the same...you'll reflect back to them with the attitude you are getting" "We need to choose people , as far as we can judge, want to stay with the company and grow with the company and to be better"		"Fundamental, absolutely. It's very very hard to change the cultural values of a company...therefore you have to be aware of what they are...I think it is really important that you have sat down and thought about it...like Nigeria will be different in different regions, what matters to them, how does that fit with our cultural values...we buy companies overseas and we don't really understand the culture"	If people don't want to work with you, you should not make them work for you...if they're going to stay there and they are not happy, do you really want that? We've met lots of guys and girls who are driven by wanting to be better, to be competent, to learn things, rather than by money...they are the ones we need to look after"
Respondent 4	"A huge amount. If you're not proactive, in terms of learning and actively participating in delivery of projects, and trying to push themselves to further their careers, then you'll never ever localise the business. If your nationals are sitting back, and just being along for the ride, they will never ever take over the lead roles" "...so they want to work for the bigger organisations that's for sure"		"Again, I think it's important, but is enough thought really given to it? Probably not. Extremely important. Understanding the thought process of business people in the country that you're entering is very very important...we tend to have the focus on the market, the size of the market, the potential business rather than the actual culture of values"	"It's inevitable. If you're entering a country and you're not first in, and you have to gain market share, and you need to have a certain percentage of localisation, you will take what you can get...at the end of the day, it will bring additional people into the market"
Respondent 5	"Local attitude is that they think they are just being pushed into a corner...sometimes when we send a Kazakh overseas, he's pushed into a corner and told to sit there...but we had to really force Mustang to grab him and take him to meetings...it takes effort. People don't want to do it" Main Barrier – "The acute shortage of local people and skills and services that can hit the ground running"		"I think there's an element of ex-Soviet, of the blame culture and not wanting to take on responsibility. Because if you take on responsibility, you are liable and you family loses its jobs and everything. This young generation is probably growing out of it, but if you take a 50/60 year old he is absolutely ingrained in"	"Again, it's supply and demand. We had an unofficial arrangement in Kazakhstan; we had a gentleman's agreement, where we would not take people from other companies unless we had spoken etc....bottom line is, it's not legal. You can't stop it"

LOCAL CONTENT (Continued)

Respondent	Attitudes/Behaviours	Ethnocentricity	Cultural Dimensions/Values	Poaching
Respondent 6	"I think that if we get the correct people in, in order to help them gain the knowledge and expertise that they need, and that they can see that there is a career path for them, then I think that helps us greatly" Main Barrier – "Probably specialist skills that we would need. Knowledge of the oil and gas industry, culture, and possibly even language"		"I think it's really important because we need to consider how that culture operates in order for us to achieve our business goals and a successful start-up. We need to engage with the correct people to get a better understanding and get buy in from them as well"	"I don't think it is good for the market. If we work with our competitors and our customers so that we're aligned on what training is required, if there is an understanding what the basic salary and benefits are, then that would help prevent people going for higher salaries. Which would then also help the market recover, rather than having over-inflated benefits etc."
Respondent 7	"The locals get a little bit of experience and they think they can do an awful lot more than they can. They don't necessarily fully invest in the process of learning and the opportunity to learn from the experienced people around them because they think they know more than they do too quickly. The ones who get that right and understand it is not just a 6 month journey but it will maybe take 2 or 3 year journey, a longer journey, really come out of it really well"		"I think they are very important. You have got to understand where the culture impacts on the business, where it potentially impacts on things like our ethics policy...if you are in somewhere like Asia for example, the way you handle you handle their business card can either make or break a deal"	"In a free and open market it is going to happen isn't it. To some extent we should guard against it...we shouldn't be that precious or even that arrogant to think we have always got the best processes and systems and other people don't have better, and people would benefit more from being somewhere else"

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APPENDIX 4.4: QUALITATIVE ANALYSIS – STRATEGIC BEHAVIOUR

STRATEGIC BEHAVIOUR

Respondent	Quality & Delivery	Succession Planning	Strategic Delivery Success	Not Used
Respondent 1	"It (% LC) can be an issue mmm particularly in the context of 'Oilco' where we have a high end engineering delivery...to make the local content numbers it can diminish or technical knowledge...it can have an impact on quality and delivery overall" "...there are some key skillsets that you absolutely need to have to be able to inject your business to make your business a success mmm often as well coming into a local area you are offering something different to the market place and not something that is the cheapest...you have to be able to deliver"	Absolutely technical development is a key service mmm that an organisation provides so the technical development of individuals into that role is crucial so that our service provision is maintained" "Again, I think it is really important that it is looked at as not just in terms of achieving numbers...actually having a diversification of skillsets...and really trying to work out how gaps in that can be developed and filled" "I think it is very important (HR Training Programs) mmm obviously as an organisation although we have a local feel to it ideally we will have some key requirements that we want to engender" "You know, I am actually not quite sure (what they need to contain)?	"I think a business strategy is hugely important...to understanding the local business culture to enable you get opportunities and actually establishing business...the governing bodies of the likes, sometimes these can be mine fields...recognises best how to approach it is more likely to smooth the rough patches" "I think recruitment and selection mmm again is always important"	

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STRATEGIC BEHAVIOUR (Continued)

Respondent	Quality & Delivery	Succession Planning	Strategic Delivery Success	Not Used
Respondent 2	"Providing we are not trying to rush through the door and fill roles that require certain competencies with people that clearly do not have them. So there is a potential there for performance to be impacted, but if managed carefully, it needn't be the case"	"Again, I wouldn't say primary either...technical development of skilling people up and things like that, I think there are important things there...but it depends where you start...look at Chad for instance the indigenous technical skill level is pretty low because lack of industrialisation so it would be unreasonable to think that we can create in any reasonable time period, the skills that come through 11 years education, 4 years or tertiary education and 5 years of experience in the UK for instance" "Having commitment to the localisation plan that sees people moving from junior engineer to head of accounts to head of HR, or whatever it happens to be in a timescale that everyone has said is wholly appropriate and achievable" "I think it's important because I think without the plans it just becomes good intention...in some countries, what has led to this bizarre situation where local content is achieved by employing local security guards and drivers"	"We're looking at what are the growth opportunities within a subsidiary. Does that allow us to produce a business that is a quality business, with further growth potential" "So what I don't want is the only way to grow the business is to compromise any of our core values" "I think it's really important, because I think it becomes a key differentiator for us...in Chad, when we were bidding the contract...we spoke to the customer in detail and said – what is it you are really looking for...we put in a separate localisation plan. That became the focus for our discussions, until we eventually won the job and we've been there until this day"	

Respondent	Quality & Delivery	Succession Planning	Strategic Delivery Success	Not Used
Respondent 3	"No (cost reduction) – never have. I think in the long term it can be. The most important thing for us is to deliver the quality of service because if we're working in hazardous areas we need to ensure the people we have got are competent to do the work" "If the local guys aren't competent enough you're always going to have a problem with the delivery of what you're going to do on time and also the quality. It can be a challenge…oh, it easier to do it myself"	"Absolutely, (technical development) I think it is one of the main things we should do as a company" "I think without a plan you can't achieve it, I think you need an objective…you need to work the plan and need to check it every year and review it. Again, I don't think we do enough, I think we create a plan and then we forget about it" "Well absolutely, but in my mind I suppose that's the fundamental of people…The only thing I'd say is the HR quality and the plan needs to be appropriate for the country they're in and needs to be delivered by people who understand it and are sensitive to it"	"Yes, in a sense, the business, absolutely…I think you need an objective, and that's part of your strategy…If you're objective is to be there a long time and set up a subsidiary of your company, then your strategy should contain things that will allow you to do that"	
Respondent 4	It's that balance. What is important? Is it cost? Is it delivery? Is it performance? Is it quality?…because the cost of imposing these targets is far higher than the benefit (failed model in Angola)" "The type of work we are doing in some cases can be fairly safety critical, so you need to ensure that you've got the technical competence. If you had longer and money wasn't such a driver, you might be able to do it locally"	"If you don't plan it you'll never achieve it..If you actually look at Atyrau for example, we actually had an underwritten, maybe target in some cases; target of what we believed was an acceptable level. That's gone backwards. There is no local, there is no target now and they're actually going backwards" "It's important that the HR training programmes have an understanding of the level of competence of the people that you are trying to train before they start"	"It's an important driver. I think it would depend, maybe, on the maturity of the market" "Yes, absolutely, if you don't have a strategy, then the chances are, you'll never ever implement any type of localisation plan" "I think (recruitment & selection) it definitely is on the expat side…to get the right people with the right attitudes"	

	STRATEGIC BEHAVIOUR (Continued)			
Respondent	Quality & Delivery	Succession Planning	Strategic Delivery Success	Not Used
Respondent 5	"No, it's not. It is developing a country's capability...cost reduction doesn't necessarily cover it because there is also a performance. It's quality" "At the end of the day, what's come out of that (Caspy 40% FEED) is, yes they did the work, but they need supervision...Is it a success, yes, absolutely, I saw the management team the other day"	"Yes, it is very important. Again, it's asking the management to really reach out of the box. Reach out to a Kazakh and say you're going to be in X position in a couple of years...It's important, of course it's important, and it's follow through" "Training is of course important"	"Absolutely. Yes...I think to be successful today, is that should be the vision. You tell your local people – guys you can run this company one day"	
Respondent 6	"I think it's important that we don't rush it. Take the time to train the people that we need to, to ensure they've got maximum understanding"	"Yes, (technical development) I guess it is in order to grow that business" "If we don't have it planned out correctly with the correct people in the roles to mentor people to increase local content, then...we've got to have a plan there" "For expats they need to understand that their going there to train and mentor people" "You know what, yes they are, but only if they are communicated properly and they are a continuous improvement...If you go in and say you are going to use this tool and then forget about it and then introduce it 18 months later, it's like, I've already done this and nothing happened" "Yes (recruitment & selection), I think it's important that the tutor fully understands what the contract is, what the people that are being hired are to do, so work with the functions."	"I guess it's knowing who you're competitors are, understanding what you're customers need and understanding culture" "Yes, we need to know where that business is going in order to grow the business, to understand localisation figures...If you know that in 2 years you expect to have 3 contracts, that gives you 3 years to get the right people"	

Respondent	Quality & Delivery	Succession Planning	Strategic Delivery Success	Not Used
Respondent 7	"If you look at Nigeria, they have got high expectations of work getting done in country. Some of that so they can get local content trained, which I don't think is a bad thing...I have had conversations with Mozambique government and they are saying 10% expats from day one in an industry that has got no history. It needs to scale to say over a 5 year or a 10 year period that is where we want to get to" "Yes, there is (demand for foreign labour), the industry we work in is a hazardous area, so to put people in position without the competencies means you put people's lives at risk"	"Yes, I do...just like we'd take apprentices and graduates into the UK business or a US business, we should absolutely be doing the same thing there and building up the technical competency in the country" "That if you don't plan you don't deliver would be my general view...you need to really map it out and understand what you are trying to achieve...If you look at Cameroon where we took Gilberte who was an admin assistant and she is now the general manager, that didn't happen by accident" "Succession Planning, yes there is something there. My own view is HR administers the programmes but they should be run by technical people for technical training. I think trying to push that to HR to run, generally doesn't end up well" "Yes" (recruitment and selection key components)	"Ultimately it's about increasing the amount of work that we are doing in the industry, it is really as simple as that (growth strategies as a driver)" Business strategy importance – "Absolutely"	

STRATEGIC BEHAVIOUR (Continued)

	Organisational Characteristics	Social Responsibility/Ethics	Salary & Benefits	Core Values
Respondent 1	"I think mmm you know a company that is international...that has established in these locations before will have an understanding of how to enter a country...with sufficient back up support and size, and processes, procedures, and policies...a smaller company that has been successful in one particular area isn't necessarily as astute to cultural diversity"	"From Oilco's perspective, part of their values is Social Responsibility" "OK, social responsibility is our obligation as a company to engage with local communities...I think you know moving into another country to set up an office, looking at nationalisation, I think it's really important that you very quickly start to develop key relationships"	It is an important factor...typically expats are very expensive and doing business locally in a country you have local market conditions which are prevalent and you obviously have to compete with indigenous organisations so driving your cost base down is important" "Typically mmm it is the case that a company will look at a lower cost base mmm when they are establishing locally...looking at average salaries and things like the, the company would you know recruit within that...I think benefit packages sometimes are fairly reasonable because the company again globally will be fairly equitable in many ways with its benefits packages...I think in relative terms it is still seen locally quite a lucrative position and currently above the mean mmm compared to you know the traditional indigenous companies" "...my feeling is that initially people that are less aware of benefits packages in an area will look primarily at salary and if it's communicated to them in the right way then they will actually open their eyes to what the whole range of benefits to them"	"I think actually it stands a good chance of getting it right and doing things in the correct way " (established entity)

Respondent			
STRATEGIC BEHAVIOUR (Continued)			
Organisational Characteristics	**Social Responsibility/Ethics**	**Salary & Benefits**	**Core Values**
Respondent 2			
"For us, local content under the banner of social responsibility is one of those things that we say explicitly that we value. Therefore for us that's one of the characteristics that you would like to think that people would say, "well your likely to be a good company to have in our environment, because we know you're not just going to rape and pillage"…"	No (cost reduction) I don't actually, I think for me it's about the sustainability of a business…not just the employment, but also the spin-off of paying local taxes, the ability for people to afford housing, the work we can do in terms of helping local communities" "It's about understanding the impact of our business on society. So there are probably 3 elements to that. There's the economic part, there's the enterprise part, in terms of growing the business, then there's the environmental component as well" "Absolutely, it is. In the extent that you were asked to do business where you were asked not to engage with the local humanities…that would be contrary to our core values"	"If you end up creating a culture where you're paying people significantly above the social background you can quickly get into expectation levels that inconsistent with the skill and competency levels…the expat should be planning to leave. The local is there for the long-term and therefore, for that job to be sustainable, his or her salary and benefits must be competitive in the local environment"	"Beyond that we cannot guarantee safety of the operation or maintenance of the core values, therefore not going to do it" "Does that allow us to produce a business that is a quality business, with further growth potential that sits within the frame work of our core values?"
Respondent 3			
"…the more globalised you are, the more nationalised you are, the more confident you are you can do it and the more you learn"	"We have a core value which includes localisation…we don't have enough people and we want people there to be able to do the work" "I think it's being part of the local community, working with the local community and helping enhance the local communities lifestyles I suppose through ensuring people have work" "As to whether it's one of the most important parts of it, I don't know"	"When you start off you are going to pay probably a good salary and you'll give them experience, so the combination of 2 things is brilliant…By the time they got back (from overseas assignments) they would head off into the wild blue yonder because someone offered them money…By the time we were done with them all they were interested in was money"	"If it wasn't played properly you might decide not to go, given that we have the compliance standards in our ethics policy, integrity policy"

	STRATEGIC BEHAVIOUR (Continued)			
Respondent	Organisational Characteristics	Social Responsibility/Ethics	Salary & Benefits	Core Values
Respondent 4	"Yes, I think again, a lot of people that you're dealing with have very little knowledge of the industry outside the country"	Social Responsibility to me is actually becoming part of the community that you're working in" "It should be an important driver, it should be one of the key factors during the strategic decision making process, I'm not convinced it always is"	"No – I would say making money is the primary factor for localising. Unfortunately, the technical development part probably comes as a necessity rather than a driver" I think it's important in terms of retention of personnel. Do they fast-track, in any way – localisation? I'm not so sure"	
Respondent 5	"I thinks it's all down to the culture of the company"	"The idea is to try and create as much employment from the country as possible. Raise living standards...one has to be mindful when one looks at this, because at the end of the day, a client is not going to pay us for being nice to people" "It's a tough balance. It's really a tough balance"	"If there's shortage, salaries go up and if there's shortage of people will offer more. It's supply and demand it is an simple as that"	
Respondent 6	"I guess the bigger the contract we have, the more we need (to be set up)...If it's a big contract and we're not set up properly to start with, then we're going to have issues"	"For me it's about how the company works with the local, if it's environment body, in order to promote the company as well as helping that country develop" "Yes (importance), it's about making a mark for ourselves in the country, but also how can we help the local environment as well as the local people there? How can we better their lives for them as well?	"Again, it's knowing the market. If we get it right at the start with understanding the local market, the culture..."	"Yes, it's about making a mark for ourselves in the country, but also how can we help the local environment as well as local people there?" (Social Responsibility)

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STRATEGIC BEHAVIOUR (Continued)

Respondent	Organisational Characteristics	Social Responsibility/Ethics	Salary & Benefits	Core Values
Respondent 7	"The values that we have as a company don't always mirror the values of the community that we operate in. Being able to get that alignment there where you can actually make sure that we get to a place where our company values are upheld…that can have a positive impact on local communities"	"A range of things. Its training and development, it is local hires and it is doing community support work. It's getting involved in health and education programmes and working in universities….Absolutely (importance)" Main Drivers to Localisation – "It is just employment isn't it…most of the communities it is about employment"	"It can have a big impact. There are some areas that try to insist that a national has to be paid the same as an expatriate doing a similar type of job. That is unrealistic…Just looking at pure salaries isn't the right measure, £100,000 for an British expat and £100,000 for somebody working in Chad is a millionaire at £100,000, you have got to tailor it. If you don't then the impact you would have the entire community in driving inflation in the wrong way"	"I guess if you look at it from our standpoint, core values. The values that we have as a company don't always mirror the values of the community that we operate in. Being able to get that alignment there where you can actually make sure that we get to a place where our company values are upheld…that can have a positive impact on local communities"

APPENDIX 4.5: QUALITATIVE ANALYSIS – LOCALISATION DRIVERS

| Respondent | LOCALISATION DRIVERS | | | |
	Local Content Policies	**Cost Reduction**	**Technical Development**	**Corporate Strategy**
Respondent 1	"Certainly an area for consideration...there are some countries that have strict and quite developed policies for nationalisation and we absolutely consider that in our strategy for starting an entity in country" "I don't think it is necessary a formal barrier but it is absolutely something we take cognisance of"	It is an important factor...typically expats are very expensive and doing business locally in a country you have local market conditions which are prevalent and you obviously have to compete with indigenous organisations so driving your cost base down is important"	Absolutely technical development is a key service mmm that an organisation provides so the technical development of individuals into that role is crucial so that our service provision is maintained"	"From Oilco's perspective part of their values is community and people so you know it increases the local opportunities in the community as well"
Respondent 2	"In some areas there are specific targets on localisation...In other areas there are huge tax considerations to be taken into account. There are all sorts of different policies there that we need to be mindful and aware of" "They are hugely important because in some areas we find we're probably dealing with policies that make it untenable to set up a positive growth story"	No I don't actually, I think for me it's about the sustainability of a business...not just the employment, but also the spin-off of paying local taxes, the ability for people to afford housing, the work we can do in terms of helping local communities"	"Again, I wouldn't say primary either...technical development of skilling people up and things like that, I think there are important things there...but it depends where you start...look at Chad for instance the indigenous technical skill level is pretty low because lack of industrialisation so it would be unreasonable to think that we can create in any reasonable time period, the skills that come through 11 years education, 4 years or tertiary education and 5 years of experience in the UK for instance"	"We're looking at what are the growth opportunities within a subsidiary. Does that allow us to produce a business that is a quality business, with further growth potential" "So what I don't want is the only way to grow the business is to compromise any of our core values"
Respondent 3	"If I am going to read something it will be in the contract and I read the client's interpretation of what the government policy will be...we need to understand it, it needs to be clear...being aware of that helps us develop our strategy for getting into the country"	"No – never have. I think in the long term it can be. The most important thing for us is to deliver the quality of service because if we're working in hazardous areas we need to ensure the people we have got are competent to do the work"	"Absolutely, I think it is one of the main things we should do as a company"	"I think it mainly comes from the contract that we have signed with the client which comes from the governmental drivers" "We have a core value which includes localisation...we don't have enough people and we want people there to be able to do the work"

LOCALISATION DRIVERS (Continued)

Respondent	Local Content Policies	Cost Reduction	Technical Development	Corporate Strategy
Respondent 4	"They (home country company) don't give them any focus of attention at all. They are completely focused on setting up the business" "If you compare the likes of Kazakhstan to Nigeria or Angola, there's a complete disconnect. Some work, some don't. They cause a lot of confusion because there is no consistency in how they're actually applied whatsoever"	"It's an important driver, I think it would depend, maybe, on the maturity of the market"	"No – I would say making money is the primary factor for localising. Unfortunately, the technical development part probably comes as a necessity rather than a driver"	"I suppose looking at the size of the potential market in the country, yes really looking at the size and complexity of the market"
Respondent 5	"Insisting now on a high level of Kazakh equity...a local company can be deemed as having 95% personnel is considered to be a local company" "The importance to understand that it is somebody else's country"	"No, it's not. It is developing a country's capability...cost reduction doesn't necessarily cover it because there is also a performance. It's quality"	"Yes, I do, I think it is"	<u>Nothing relevant from interviewee with regard to this being a driver to localisation</u>
Respondent 6	"I think it's really important. You need to know how that country operates in order to follow their legislation"	"No"	"Yes, I guess it is in order to grow that business"	<u>Nothing relevant from interviewee with regard to this being a driver to localisation</u>
Respondent 7	"They are vast and varied depending where you are. They can at times be a barrier because they can be over onerous... "I think it is absolutely imperative; if you don't understand it you are going to get it wrong and you only get one chance to impress a government in this stuff"	"No, I don't. It's a factor; I don't see it as the most important factor though. I actually think the most important factor is we have a responsibility when we go into country to build the capacity and capability"	"Yes, I do...just like we'd take apprentices and graduates into the UK business or a US business, we should absolutely be doing the same thing there and building up the technical competency in the country"	"Ultimately it's about increasing the amount of work that we are doing in the industry, it is really as simple as that"

Respondent	LOCALISATION DRIVERS (Continued)			
	Social Responsibility	**Cultural Alignment**	**Local Market Knowledge**	**Not Used**
Respondent 1	"OK, social responsibility is our obligation as a company to engage with local communities...I think you know moving into another country to set up an office, looking at nationalisation, I think it's really important that you very quickly start to develop key relationships"	Nothing relevant from interviewee with regard to this being a driver to localisation	Nothing relevant from interviewee with regard to this being a driver to localisation	
Respondent 2	"It's about understanding the impact of our business on society. So there are probably 3 elements to that. There's the economic part, there's the enterprise part, in terms of growing the business, then there's the environmental component as well" "Absolutely, it is. In the extent that you were asked to do business where you were asked not to engage with the local humanities...that would be contrary to our core values"	Nothing relevant from interviewee with regard to this being a driver to localisation	Nothing relevant from interviewee with regard to this being a driver to localisation	
Respondent 3	"I think it's being part of the local community, working with the local community and helping enhance the local communities lifestyles I suppose through ensuring people have work" "As to whether it's one of the most important parts of it, I don't know"	Nothing relevant from interviewee with regard to this being a driver to localisation	Nothing relevant from interviewee with regard to this being a driver to localisation	
Respondent 4	Social Responsibility "It should be an important driver, it should be one of the key factors during the strategic decision making process.	Nothing relevant from interviewee with regard to this being a driver to localisation	"I suppose looking at the size of the potential market in the country, yes really looking at the size and complexity of the market"	

Respondent	Social Responsibility	Cultural Alignment	Local Market Knowledge	Not Used
Respondent 5	"The idea is to try and create as much employment from the country as possible. Raise living standards...one has to be mindful when one looks at this, because at the end of the day, a client is not going to pay us for being nice to people" "It's a tough balance. It's really a tough balance"	Nothing relevant from interviewee with regard to this being a driver to localisation	Nothing relevant from interviewee with regard to this being a driver to localisation	
Respondent 6	"For me it's about how the company works with the local, if it's environment body, in order to promote the company as well as helping that country develop" "Yes (importance), it's about making a mark for ourselves in the country, but also how can we help the local environment as well as the local people there? How can we better their lives for them as well?	"I guess it's knowing who you're competitors are, understanding what you're customers need and understanding culture"	"I guess it's knowing who you're competitors are, understanding what you're customers need and understanding culture"	
Respondent 7	"A range of things. Its training and development, it is local hires and it is doing community support work. It's getting involved in health and education programmes and working in universities...Absolutely (importance)	Nothing relevant from interviewee with regard to this being a driver to localisation	Nothing relevant from interviewee with regard to this being a driver to localisation	

APPENDIX 5: LOCALISATION SUMMARY FRAMEWORK

Localization Literature Review Summary

To summarize the key findings from detailed literature review and author's detailed literature review table (underpins this document)

Author	Ref	Year	Drivers for Localization						Barriers to Localisation																					Model	Location
			Local Content Policies	Cost Reduction	Technical Development	Corporate Strategy	Cultural Alignment	Local Market Knowledge	HQ Strategic Management (Commitment)	Quality of Services & Performance	Experience & Qualifications of Locals	Quality of HR Training Programmes (Succession Plan)	Quality of University Degree (Skills Mismatch)	Local Labour Market	Expatriate Attitude / Failure	Locals Attitudes	Regulations & Attitudes of Government	Salary & Benefits	Poaching of Experienced Resources	Foreign Aid Policies	Cultural Values	Successful Implementation of strategies	Private Sector - lack of Awareness	Organization Characteristics (location, size, int experience)	Expatriate Itinerants	Local Content Planning	Recruitment & Selection	Local (subsidiary) Responsiveness & Commitment	Legal Framework		
Kobrin, Stephen J	#39	1988	★	★		★			★						★																	US Global
Potter, Christopher C	#7	1989			★					★	★				★	★												★			★	Global
Cohen, John M	#40	1992	★		★						★	★	★					★	★	★												Kenya

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		Global (Case Study Nigeria)	Global	Hong Kong	East Asia	Oman
Location						
Model						
Barriers to Localisation	Legal Framework					
	Local (subsidiary) Responsiveness & Commitment					
	Recruitment & Selection					★
	Local Content Planning					
	Expatriate Itinerants					
	Organization Characteristics (location, size, int experience)					
	Private Sector - lack of Awareness					★
	Successful Implementation of strategies				★	
	Cultural Values	★	★			
	Foreign Aid Policies					
	Poaching of Experienced Resources					
	Salary & Benefits				★	★
	Regulations & Attitudes of Government					★
	Locals Attitudes	★			★	
	Expatriate Attitude / Failure	★			★	
	Local Labour Market					
	Quality of University Degree (Skills Mismatch)					
	Quality of HR Training Programmes (Succession Plan)		★	★		
	Experience & Qualifications of Locals					
	Quality of Services & Performance					
	HQ Strategic Management (Commitment)					
Drivers for Localization	Local Market Knowledge					
	Cultural Alignment	★			★	
	Corporate Strategy					
	Technical Development	★	★	★	★	★
	Cost Reduction					
	Local Content Policies					
Year		1993	1994	1995	1996	1998
Ref		#31	#41	#42	#36	#43
Author		Hailey, J	Vance, Charles M; Ring, Peter Smith	Selmer, Jan; Luk, Vivienne	Hailey, John	Al-Lamki, M

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Author	Ref	Year	Location	Model	Local Content Policies	Cost Reduction	Technical Development	Corporate Strategy	Cultural Alignment	Local Market Knowledge	HQ Strategic Management (Commitment)	Quality of Services & Performance	Experience & Qualifications of Locals	Quality of HR Training Programmes (Succession Plan)	Quality of University Degree (Skills Mismatch)	Local Labour Market	Expatriate Attitude / Failure	Locals Attitudes	Regulations & Attitudes of Government	Salary & Benefits	Poaching of Experienced Resources	Foreign Aid Policies	Cultural Values	Successful Implementation of strategies	Private Sector - lack of Awareness	Organization Characteristics (location, size, int experience)	Expatriate Itinerants	Local Content Planning	Recruitment & Selection	Local (subsidiary) Responsiveness & Commitment	Legal Framework
Hailey, John	#35	1998					●																								
Hailey, John Harry, Wes	#38	1998					●																								
Wong, Chi-Sum Law, Kenneth S	#10	1999	China	●	●	●	●	●			●			●					●				●	●				●			
Gamble, Jos (Read Again)	#11	2000	China																												
Selmer, Jan	#13	2003	China			●		●	●		●																●					

Author	Ref	Year	\<Drivers for Localization\>						\<Barriers to Localisation\>																					Model	Location
			Local Market Knowledge	Cultural Alignment	Corporate Strategy	Technical Development	Cost Reduction	Local Content Policies	HQ Strategic Management (Commitment)	Quality of Services & Performance	Experience & Qualifications of Locals	Quality of HR Training Programmes (Succession Plan)	Quality of University Degree (Skills Mismatch)	Local Labour Market	Expatriate Attitude / Failure	Locals Attitudes	Regulations & Attitudes of Government	Salary & Benefits	Poaching of Experienced Resources	Foreign Aid Policies	Cultural Values	Successful Implementation of strategies	Private Sector - lack of Awareness	Organization Characteristics (location, size, int experience)	Expatriate Itinerants	Local Content Planning	Recruitment & Selection	Local (subsidiary) Responsiveness & Commitment	Legal Framework		
Hauser, Jacqui	#45	2003		★	★		★							★				★													Global
Madhi, Salah T Barrientos, Armando	#46	2003				★		★			★		★			★											★				Saudi Arabia
Banai, Moshe Harry, Wes	#47	2004			★				★																★					China Middle East
Selmer, Jan	#12	2004			★			★	★						★			★				★								China
Law, Kenneth S Wong, Chi-Sum Wang, Kevin D	#3	2004		★	★			★																		★				China

Author	Ref	Year	Location	Model	Legal Framework	Local (subsidiary) Responsiveness & Commitment	Recruitment & Selection	Local Content Planning	Expatriate Itinerants	Organization Characteristics (location, size, int experience)	Private Sector - lack of Awareness	Successful Implementation of strategies	Cultural Values	Foreign Aid Policies	Poaching of Experienced Resources	Salary & Benefits	Regulations & Attitudes of Government	Locals Attitudes	Expatriate Attitude / Failure	Local Labour Market	Quality of University Degree (Skills Mismatch)	Quality of HR Training Programmes (Succession Plan)	Experience & Qualifications of Locals	Quality of Services & Performance	HQ Strategic Management (Commitment)	Local Market Knowledge	Cultural Alignment	Corporate Strategy	Technical Development	Cost Reduction	Local Content Policies
																										Barriers to Localisation →			**Drivers for Localization** →			
Lam, S. S. K. Yim, C. K. B. Schaubroeck, J. Tse, D. K.	#44	2004	China																								●	●			●
Fryxell, Gerald E Butler, John Choi, Amanda	#9	2004	Chine			●	●	●				●										●			●			●			●
Selmer, Jan	#4 #8	2004	China																●												●
Al-Dosary, Adel S Rahman, Syed Maisur	#16	2005	Middle East													●	●			●			●					●	●		●
Lamki, Salma M	#48	2005	Oman			●					●						●			●	●	●			●			●	●		●

		Yu, Ming-Chu	Muysken, Joan; Nour, Samia	Tan, Danchi; Mahoney, J. T	Bhanugopan, Ramudu; Fish, Alan	Rees, Christopher J; Mamman, Aminu; Braik, Aysha Bin
Ref		#14	#49	#15	#2	#1
Year		2005	2006	2006	2007	2007
Location		Taiwan	UAE		PNG	UAE
Model					★	
Barriers to Localisation	Legal Framework					
	Local (subsidiary) Responsiveness & Commitment	★				★
	Recruitment & Selection					
	Local Content Planning					
	Expatriate Itinerants					
	Organization Characteristics (location, size, int experience)	★				
	Private Sector - lack of Awareness				★	
	Successful Implementation of strategies					
	Cultural Values	★			★	
	Foreign Aid Policies					
	Poaching of Experienced Resources					
	Salary & Benefits					
	Regulations & Attitudes of Government				★	
	Locals Attitudes					
	Expatriate Attitude / Failure					★
	Local Labour Market		★		★	
	Quality of University Degree (Skills Mismatch)		★		★	
	Quality of HR Training Programmes (Succession Plan)					
	Experience & Qualifications of Locals		★		★	
	Quality of Services & Performance	★				
	HQ Strategic Management (Commitment)					★
Drivers for Localization	Local Market Knowledge					
	Cultural Alignment	★			★	★
	Corporate Strategy	★	★			★
	Technical Development				★	
	Cost Reduction					★
	Local Content Policies		★		★	★

	Oman	China	Japan	Saudi Arabia	UAE
Location	Oman	China	Japan	Saudi Arabia	UAE
Model				★	
Barriers to Localisation					
Legal Framework					
Local (subsidiary) Responsiveness & Commitment		★		★	★
Recruitment & Selection			★		★
Local Content Planning			★		
Expatriate Itinerants					
Organization Characteristics (location, size, int experience)					
Private Sector - lack of Awareness				★	
Successful Implementation of strategies					★
Cultural Values	★				★
Foreign Aid Policies					
Poaching of Experienced Resources					
Salary & Benefits					
Regulations & Attitudes of Government	★			★	
Locals Attitudes				★	★
Expatriate Attitude / Failure	★				
Local Labour Market					
Quality of University Degree (Skills Mismatch)					★
Quality of HR Training Programmes (Succession Plan)	★	★	★		★
Experience & Qualifications of Locals					
Quality of Services & Performance		★	★		
HQ Strategic Management (Commitment)		★		★	★
Drivers for Localization					
Local Market Knowledge					
Cultural Alignment	★				
Corporate Strategy		★			
Technical Development	★		★	★	★
Cost Reduction					
Local Content Policies				★	★
Year	2007	2009	2009	2009	2009
Ref	#50	#6	#5	#51	#20
Author	Al-Hamadi, Abdul Basit Budhwar, Pawan S Shipton, Helen	Law, Kenneth S Song, Lynda Jiwen Wong, Chi-Sum Chen, Donghua	Itagaki, H	Sadi, Muhammad Asad Al-Buraey, Muhammad Abdullah	Forstenlechner, Ingo

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	Randeree, Kasim	Lam, Simon S.K / Yeung, Joseph C.K	Forstenlechner, Ingo / Rutledge, Emilie	Song, Lingfang / Fayol	Swailles, Stephen / Al Said, L.G / Al Fahdi, Saleh
Ref	#52	#37	#21	#53	#54
Year	2009	2010	2010	2011	2011
Location	UAE	China		China	Oman
Model	✸	✸		✸	
Barriers to Localisation					
Legal Framework					
Local (subsidiary) Responsiveness & Commitment					✸
Recruitment & Selection					✸
Local Content Planning	✸				✸
Expatriate Itinerants					
Organization Characteristics (location, size, int experience)		✸			
Private Sector - lack of Awareness	✸				✸
Successful Implementation of strategies	✸				
Cultural Values					
Foreign Aid Policies					
Poaching of Experienced Resources					
Salary & Benefits					✸
Regulations & Attitudes of Government	✸			✸	✸
Locals Attitudes					✸
Expatriate Attitude / Failure	✸	✸		✸	
Local Labour Market	✸	✸			
Quality of University Degree (Skills Mismatch)					✸
Quality of HR Training Programmes (Succession Plan)	✸			✸	
Experience & Qualifications of Locals	✸				✸
Quality of Services & Performance		✸			
HQ Strategic Management (Commitment)				✸	
Drivers for Localization					
Local Market Knowledge				✸	
Cultural Alignment	✸	✸		✸	
Corporate Strategy		✸			
Technical Development	✸	✸		✸	✸
Cost Reduction				✸	
Local Content Policies	✸			✸	

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Author	Ref	Year	Drivers for Localization — Local Content Policies	Cost Reduction	Technical Development	Corporate Strategy	Cultural Alignment	Local Market Knowledge	Barriers to Localisation — HQ Strategic Management (Commitment)	Quality of Services & Performance	Experience & Qualifications of Locals	Quality of HR Training Programmes (Succession Plan)	Quality of University Degree (Skills Mismatch)	Local Labour Market	Expatriate Attitude / Failure	Locals Attitudes	Regulations & Attitudes of Government	Salary & Benefits	Poaching of Experienced Resources	Foreign Aid Policies	Cultural Values	Successful Implementation of strategies	Private Sector - lack of Awareness	Organization Characteristics (location, size, int experience)	Expatriate Itinerants	Local Content Planning	Recruitment & Selection	Local (subsidiary) Responsiveness & Commitment	Legal Framework	Model	Location
Toledo, Hugo	#57	2011	★											★		★	★	★					★								
Forstenlechner, Ingo; Madi, Mohamed T; Selim, Hassan M; Rutledge, Emilie J	#55	2012	★		★									★			★	★			★		★			★	★				UAE
Al-Waqfi, Mohammad A; Forstenlechner, Ingo	#56	2014	★		★						★		★	★		★	★	★			★		★			★			★		UAE

APPENDIX 6: A CRITICAL REVIEW OF STUDIES (1988-PRESENT)

Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
Kobrin Stephen J (**1988**) #39	Expatriate Reduction and Strategic Control in American Multinational Corporations. Dissents the positivity around reduction in expatriates stating that it has gone too far in the American context.	Conceptual	• Evidence indicates a marked reduction in the number of expatriates abroad. • Study of US firms (1984) indicates that half of the companies indicated a significant reduction in expatriates in the last decade and 41% of the companies expected this trend to continue in following 10 years. • On the whole there is a lot of evidence to support localization; lowering costs, increasing managerial effectiveness, minimizing conflict with employee and environmental groups, and technical development. • However the paper puts forward the argument that it is the failure of the American abroad that is the real problem and subsequent reduction. • Good section on European and Japanese experience and confirms the failure rate to be a lot lower than that of the Americans.	Literature Review	• Dwells on the consequences of failure or continued expatriate reduction on the global firm (expatriate failure). • Concludes that at least a core of expatriate managers is necessary to identify with the corporate objectives of the company and Global Management. • Reduction of expatriates means most employees of the firm are part of, and identify with a single unit (local) and detached from HQ objectives. • Sharp reduction in expatriates raises 4 issues for strategic management and control; (1) identification with firm-wide rather than local objectives, (2) knowledge of, and identification with, the global organisation, (3) corporate control of local subsidiaries, (4) acquisition of international expertise by home country nationals.	US/Global
Christopher C Potter (**1989**) #7	Effective Localization of the Workforce: Transferring Technology in Developing Countries. Turns out that this paper is used by many academics to provide the definition of Localisation.	Guidelines Paper	• Sets out guidelines for an organisational strategy which can be used by HR professionals within prospective MNC organisations in setting up local subsidiaries. • Focuses on how transfer of technology can help businesses balance the 2 goals of high quality and a nationalised workforce. • Quality of work is important.	No referencing and no indication where support is for this paper, although it is referenced by many authors!	• Concludes there are 3 considerations for effective localization; (1) nature of organisation for example what positions are available and what skillset is required and what the consequences of poor performance are; (2) capabilities of the individual and (3) capacity of the organisation to train particular skills. • Summarises the obstacles to effective localization; (1) inappropriate job specifications, (2) Expatriate Attitudes, (3) Local Attitudes. • Sets out a 10-point Plan for Effective Localisation	Global

Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
John M Cohen (1992) #40	Foreign advisors and capacity building; The case of Kenya. This article draws on a case study of advisors in Kenya's ministry of Planning and National Development (MPND) and explores why the numbers of expatriates in Kenya is not declining given the government, and donors, investment incentives already in place.	Conceptual	• Addresses 3 key questions; (1) what are the functions carried out by advisors in the development ministries; (2) why is it so difficult to retain skilled professionals in the civil service; (3) how does the provision of advisors affect the retention of skilled government officers? • Claims there is little research to draw upon that explores the relationship between provision of advisors and constraints on local professional capacity building. • In addressing these questions draws upon study of advisors in (MPND). • Presents a good debate over expatriate advisors in Kenya – pros and cons and statistics etc. • Sets the context and definitions of what types of advisors (expatriates) are classified in Kenya; economic policy experts, administration systems and financial management specialists, applied physical and biological scientists, and engineers and computer technicians. These can be categorised I the following functions; high-level policy neutral advisors, gap-filling advisors, condition precedent advisors, gate-keeper advisors, and specialist advisors (probably more related to my research). Good description of each within the article.	Draws on a case study of advisors (expatriates) in Kenya's MPND.	• Recognises that the Kenyan government and its donors are following 2 basic strategies for reducing dependence on advisors and building local capacity. • Firstly, they are attempting to improve the effectiveness of technical assistance personnel. • Secondly, they are supporting activities that; increase graduate level training programmes in order to produce officers with same skills as advisors. • A number of reforms are required to promote retention and reduce advisor need; (1) increasing salary and benefits of economists; (2) improving the management of government professionals; (3) training programs targeted on retention; (4) restraint on the part of donors; (5) anti-poaching policies. • Concludes that for some time to come, the government of Kenya will be served by expatriate advisors and there are several reasons for this; (1) Kenya continues to accept foreign aid and there are still sufficient grounds for donor's distrust in Kenya's commitment to build infrastructure; (2) as long as donors continue to fund complex projects they are going to insist on employment of advisors; (3) the government will continue to accept gap-filling advisors until it is satisfied it has the full range of civil service specialists to carry out the required functions; (4) government will continue to request donors who can provide trusted and balanced policy and management advice on significant issues.	Kenya

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Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
John Hailey (1993) #31	Localisation and Expatriation: The continuing role of expatriates in developing countries. Bit old now but lot of academics make reference to Hailey in up to date papers and opens up declaring little research has been publicised as to how much companies develop local managers and localize management positions in overseas subsidiaries. Draws on case study evidence from Guinness Nigeria over last 20 years.	Case Study	• Provides an introduction to the existing research into the effectiveness of localization strategies in developing world countries, and reviews the dynamics of the process, the role of expatriates as managers and consultants, and the cyclical nature of the expatriation process. • Analyses the localization process undertaken by Guinness Nigeria over last 20 years which reveals the complex dynamics of the localization process. • Steers away from the HQ perspective and focuses on crucial issues for local managers working in cultures that are very different from the home country or dominant culture of the multinational involved. • Draws on work by Potter (1989) and the major obstacles to effective localization and how to balance the goals of high quality and a nationalised workforce. • Good section of expatriation and localization and the statistics of employed expatriates (need copies of Scullion, 1992 and Brewster, 1991 papers - cannot locate). • Pressure to localize came from (1) local governments, (2) local managers, (3) corporate HQ. • The Guinness case study attempts to describe the operation of these 3 pressure groups, analyse the dynamics of the process and attempts to explain the re-appointment of one of the original cadre of expatriates.	Case Study	• The case study revealed in some detail the pressure Guinness were under to create a first generation of post-independence managers; yet the need for ongoing expatriate support in key executive positions suggests the management development programme introduced to prepare a second or third generation of indigenous managers had not been entirely successful. • The impetus was explained by (1) pressure from local government and the changing political and economic climate in post-independence Nigeria, (2) pressure from HQ whereby the policy from the shareholders was to reduce the number of expatriates employed, (3) internal pressure from local managers who were frustrated at their role and status within the company, and resentful at the terms and conditions enjoyed by some expatriate managers. • Further research required to understand why companies have been unable to promote and keep a new generation of local managers. • Research also required into the content and effectiveness of the training provided to local managers; research from Cohen, 1991 and Brewster, 1991 suggest that it was predominantly technical in nature rather than be geared to behavioural or attitudinal change. • Concludes by suggesting more strategic thinking and research is needed into the problems faced by local managers employed by MNCs, and the dynamics of the localization process and attempts to explain the strategic role of the manager in the process.	General, but case study support from Nigeria (Africa)

Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
Charles M Vance Peter Smith Ring (1994) #41	Preparing the host country workforce for expatriate managers: The neglected side of the coin. Extends the research on expatriate assignment (expat context) as studied by Black, Gregerson and Mendenhall (1992) and other) to bring into context the training of host country workers to reduce uncertainties associated with the overall expatriate management assignment. The conceptual basis (and deductive approach) is founded upon theories of western management and organizational behaviour.	Conceptual	• Aims at improving our understanding and increasing the productivity of the expatriate assignment. There is a lack of focus on training and development of the host country workforce associated with the expatriate assignment and readiness. • The stark collective neglect of HCW in past expatriate management literature suggests a rather ethnocentric belief (Heenan and Perlmutler, 1979) that success is solely dependent on the expatriate. • Purpose of the article is to extend the focus of past research to include the preparation and training of the HCW to receive and work more effectively with the new manager in the expatriate assignment. • This deductive approach is intended to provide a helpful framework for guiding future and necessary fieldwork/case studies. • Does not directly influence my research on localization of the expatriate position but I argue that some of the material and techniques will speed up the localization of the expatriate role.	No empirical study. This conceptual study explores the potential contributions of exchange theory and communications theory at individual and group levels to uncertainty-reduction efforts involving the HCW. Also relies on similar discussions in the management literature of concepts of participative management (group level), strategic human resource planning (organizational level), organization development (organizational level), and corporate social responsibility (organizational and national levels).	• Each of the perspectives provides a basis for concluding that the HCW is a critical element to the expatriate management assignment, and that the corporations that develop expatriate training models that ignore this essential element, do so at their own peril. • On the back of this research a preliminary examination of important content and process ideas and issues that may be involved in developing an effective HCW program is executed. • The table developed; 'Stages of Host Country Workforce Training Program Development with Corresponding Major Concerns and Pertinent Theoretical Perspectives' is put forward for future research and field work. • Limitations – a bit generalistic carried the obstacle whereby specificity and uniqueness of each geographical or cultural location must be considered before implementation.	General

Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
Jan Selmer Vivienne Luk (1995) #42	Expatriate Management succession in foreign business subsidiaries. Extends the previous exploratory work of Jan Selmer (1992)	Empirical	• Investigates the preferred duration of the overlap period in expatriate management succession in foreign subsidiaries and its determinants. • Little research in this area which instigated the study. • Seven hypotheses developed based on literature review and previous exploratory study. • Does not directly influence my research on localization of the expatriate position but I argue that some of the material and results is pertinent with regard to replacing an expatriate position with a local.	Sample includes expatriate managers employed by companies from Australia, Germany, Holland, and Italy. The managers had substantial international experience and living abroad. 80% were general directors. One-page mail survey questionnaire. Sent to 743 selected managers with a response of 182 usable questionnaires, rate of 25% which compared favourably with other mail surveys/studies of expatriate managers.	• Expatriate business managers (EXBMs) tended to think that the actual overlap period in Hong Kong was too short. • Foreign assignment successions are not generally subject to planning. • HQ only has a minor influence in deciding the duration of the overlap period, regardless of size and scope of operations of the subsidiary. • EXBMs in subsidiaries with only a local scope of operations prefer a significantly shorter overlap period than EXBMs in subsidiaries with regional operations. • All but one of the predicted hypotheses was not supported. However, EXBMs with a lot of local knowledge about Hong Kong; EXBMs with a long period of service with the company; EXBMs with long international experience and living abroad; and EXBMs in corporations with standardized administrative systems worldwide all prefer shorter overlap periods than others.	Hong Kong

Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
John Hailey (1996) #36	Breaking Through the Glass Ceiling. An outline of research conducted in East Asia that provides good reasons for sending many expats home!	Outline of Research	• Research by the international Development Centre at Cranfield School of management, undertaken in Singapore and Malaysia suggests that the traditional respect shown by local staff towards expat is waning. • There were contradicting perceptions regards the installation of expatriates. Local managers identified a number of reasons that employers uses to justify the continued use of expatriates; an expert role providing technical and managerial expertise, a training role to facilitate the transfer of knowledge and skills, a representative role in terms of shareholders interest, a coordinating role to link the subsidiary with the home office, and a globalising role enabling high flyers to get international exposure. • Local managers offered a completely different perspective; common belief held that expatriates were there to oversee the local staff and inoculate company culture because they did not trust the local staff, over 75% stating that the company just wanted to have their man on the spot. • Majority of the respondents stated that a minority of the expatriates had the required skills for the position and in some cases the local managers acted as the mentor! • Pays and perks were another major source of resentment	No indication of who was interviewed or how the data was gathered during the study.	• The findings of the study point to a level of disenchantment at the attitude, performance and pay of expatriates. • Two key issues emerged; (1) an increasing number of local managers are obviously resentful and frustrated at the continued employment of expatriate managers (although not technical specialists) and (2) the extent to which these resentments could endanger the operation and profitability of firs working in East Asia. • Concludes that little has been written about how to implement localization strategies.	East Asia

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Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
M. Al-Lamki (1998) #43	Barriers to Omanization in the private sector: The perceptions of Omani Graduates	Empirical	• The purpose of this study was to determine barriers to Omanization in the private sector as perceived by graduating students. • Addresses the Human Capital theory where people are motivated to invest in themselves (Theodore Shultz). • Writes about the local problems in Oman. • Purpose was to identify the barriers to Omanization and a related purpose to determine if human capital theory is reflected in the student's perceptions. • Major objective is to develop policies and procedures that can both attract and accommodate the professional and economic needs of Omani staff without compromising organizational efficient and productivity.	Thorough review of literature Pilot study on a sample of graduating seniors. Revised and sent out final questionnaire. Distributed questionnaire went to final year students. Students from 4 colleges including engineering. 168 distributed and 95 usable returned, response rate of 56.5%. 65% expressed a desire to work in public sector and 25% a desire to work in private sector. Of the engineering students, 58% opted for government sector.	• The responses to the 20 questions showed an overwhelming majority confirming the presence of these obstacles in achieving nationalization in the private sector. • The highest rate confirming presence was 95% for lack of annual leave entitlement comparable to the public sector. • Also high scoring was longer working hours, lack of attractive compensation, working on Thursdays, lack of service benefits and lack of awareness of private sector employment opportunities. • In order to see relevant degree (severity) of the obstacle ratings were combined. And highest return was for lack of attractive remuneration package and lowest was for promotion based on performance. • Concludes; overwhelming majority of students confirmed that all obstacles existed. The greatest deterrent to Omanization in the private sector was related to compensation & benefit programmes offered in the private sector. • Another noteworthy observation was lack of information or awareness about private sector employment opportunities. • A number of students stated that they would not hesitate to work in private sector provided the salaries/benefits matched • All the findings confirm the Human Capital Theory.	Oman.

Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
Chi-Sum Wong Kenneth S Law (1999) #10	Managing Localization of Human Resources in the PRC: A Practical Model Development of a 3-stage localisation process model from related localization literature and in-depth interviews with 6 TNCs in the PRC.	Conceptual	• Weighs up the pros and cons of localization at beginning of the paper to set the rationale for the research – good references! • Describes their model of localization in 3-stages; Planning, Localizing and Consolidating and the issues encountered at each stage. • Planning – may TNCs do not recognise the importance and hope localization will just occur? Three primary stages are discussed; choosing the managing deployment strategy, developing the localization objectives, and selecting, training, and communicating with the expatriate managers. • Localizing – Once the local operating is set up and running the following HR resource concerns are discussed; motivating expatriates to localize, selecting local managers, and providing development experience to local employees, • Consolidating – the key HR concerns during this stage are discussed; retention of local managers, and repatriation of expatriates. • Other Organisational and host country factors such as values and polices or regulations and attitudes of the government are discussed along with the local labour market and cultural values.	Interviews with the CEO or HR Manager of 6 TNCs in the PRC. Very vague on what was asked or why census was so low – questionable validly?	• The authors developed a table of practical guidelines (for effective HR practices during the localization process) which are based on the conceptual model and response from interviews within the PRC. • They are however suggesting that all TNCs should localize their top level management positions; however, if localization IS important objective, the TNC should have a set of HR practices to direct the host country operations of achieve the corporate strategic goal. • This model should help that process?	China

Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
Gamble Jos **(2000)** #11	Localizing management in foreign-invested enterprises in China: practical, cultural, and strategic perspectives Challenges the theory of rapid localization.	Conceptual	• The paper takes a critical look at the assumptions underlying the argument for rapid localization and reflects on the underlying propositions of the proponents of localization challenging that they tend to minimise or overlook the practical difficulties involved, that significant cultural factors have been dealt with simplistically, and that key strategic objectives have been neglected.	Research visits to 29 enterprises in China during March-September 1997, August-September 1998 and April 1999. Face-to-face interviews with expatriate managers and in most cases senior local managers in multi-language where practical. 14 plants in Shanghai, 6 in Guangdong, 4 in Shangdong, 2 in Beijing, 2 in Fuzhou, 1 in Hunan. 14 Japanese, 5 Korean, 6 Hong Kong, 4 European enterprises.	• This paper is not prescriptive but instead is meant to stimulate debate on the localization issue and contains a lot of useful material on the factors that (practical, cultural and strategic that prospective FIE's should be made aware with their risk management plan.	China

Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
Selmer Jan (2003) #13	Staff Localization and Organisational characteristics: Western business operations in China. Specifically focuses on organizational characteristics as a determinant of staff localization and again mentions dearth of studies on issues of localization (Law et al. 2002, Wong and Law, 1999, Worm et al., 2001) – need a copy of Worm et.al. Paper? Claims that some businesses are better suited to localization than others and prompted a study on organisational characteristics as a determinant to localization.	Empirical	• Good literature review covers the advantages and disadvantages of localization. • Three hypotheses are generated regarding the nature of the organisation in China. • Draws from literature that smaller, manufacturing or homogenous products in a single geographical location are more prone to localization success in China and develops 3 hypotheses for the study. (1) There is a positive association between manufacturing organisations and localization; (2) There is a negative association between the geographical scope of operations of an organisation and staff localization; (3) There is a negative association between the size of an organisation and staff localization. • States that the characteristics of the parent corporations are likely to be related to the extent of localization of their businesses in China and develops a further 3 hypotheses. (4) There is a positive association between the number of countries the parent operates in an staff localization; (5) There is a positive association between the extent of international experience of the parent corporation and staff localization; (6) There is a negative association between the percentage of turnover from foreign operations of the parent corporation and staff localization.	Survey used mail questionnaire directed at Western business expatriates in China. 165 questionnaires were returned representing a response rate of 25%. Self-developed scales because of the novel character of this investigation. Dependent variable 'staff localization' was measured by a 5-item scale. Same responses were used in 2004 paper! 42% were joint ventures, 29% were wholly owned, 25% were representative offices and 4% branches. Majority located in three largest cities (Beijing, Shanghai and Guangzhou). All independent variables were measured through direct single questions to the respondents.3 variables representing characteristics of the organisation (manufacturing, scope of operation, and size)	• Found that localization is not uncommon in China. • There was a positive relationship between international experience and localization providing some support to H5. • There is also a positive relationship between size and manufacturing as well as international experience and countries of operation suggesting that manufacturing in China may require more manpower than other ventures. The positive association between a parent corporation's international experience and the size of the organisation in China may simply indicate that it takes international skills and know-how for western corporations to grow businesses in China. • Result of regression analysis – none of the variables depicting the organizational characteristics of the organization in China had any significant association with localization and therefore hypotheses 1-3 were not supported. • Among the variables representing the organisational characteristics of the parent corporation, 2 of the 3 variables showed significant results; International experience had a positive relationship with staff localization and % turnover had a negative relationship with localization. These results supported H5 and H6 but not H4. • Suggestions that manufacturing firms are especially easy to localize were not supported. There is evidence however that the outcome of the localization process to a larger extent may be down to the parent corporation characteristics.	China

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Author / Year	Theoretical foundation/ Area of study	Type of study (Conceptual or Empirical)	Key factors/ Aspects	Methodology (sample/data collection technique/type analysis)	Key findings	Place
Jacqui Hauser (2003) #45	A Business Case for Localization. Draws on statistics from Worldwide Benchmark Survey: New approaches to global mobility, released by Cendant Mobility.	Empirical	• This article explores what localization means vis-à-vis international workforce mobility, why it is an important mobility option, the key success factors, how localization benefits companies and employees and how companies are addressing its challenges. • This is localization in a different context to my research and considers expatriates more of less going native – this still means the expatriate is still in country and in the position that could be filled by a local – this article has some good information, some of which will be useful statistics to draw upon and has a number of parallels that could be beneficial to my research.	Draws upon Worldwide Benchmark Study: New approaches to global mobility, released by Cendant Mobility.	• Concludes that localization (in this context) represents a real alternative to traditional temporary assignments with its greatest assets being cost savings, alignment with the local business environment and recognition of the global nature of an MNC. • However (and relevant to my research), significant differences between location around the globe, there are challenges that sometimes cannot be surmounted; (1) retirement considerations, (2) salary differentials, (3) career implications, (4) family issues. • More relevant o my research, is the value in a company doing this when really a local should be employed in the position?	General
Salah T Madhi Armando Barrientos (2003) #46	Saudisation and Employment in Saudi Arabia	Concept	• This paper discusses the main factors shaping employment and career development in Saudi Arabia, including employment policy, education and training, labour regulations, and recent Saudisation policies aimed at reducing dependence on foreign labour by replacing non-Saudi employees with Saudi Nationals. • Focus of the paper is on factors behind the adoption of Saudisation and its implications, which determine career development in Saudi Arabia.	Gathers data from Saudi ventral statistics department and Saudi Council of Chambers of Commerce and builds on the scarce literature on employment and career patterns in Saudi Arabia.	• Education & Training are not fully able to supply economy with the range and quantity of skilled workers required. • Young Saudis attitudes are that they are against manual and technical occupations and like white collar positions. • 26% male Saudi job seekers stated main factor for turning down employment was the perceived mismatch between skills needed for the job and their study specialisation. • A study found that 63% of managers in local firms felt implementation of Saudisation had a negative effect on their business (Medina Chambers of Commerce). • Saudis find the hours of work in the private sector and split working day is unattractive. • The skills and qualifications profile of Saudi nationals does not match the skills and qualifications in the private sector.	Saudi Arabia

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Moshe Banai Wes Harry (2004) #47	Boundaryless Global Careers – The International Itinerants. Integrates constructivist and objectivists approaches to career development to provide theoretical background to the concept of Boundaryless careers.	Empirical	• Study identifies and describes a new breed of international managers, the international itinerants. • Identifies differences between them and traditional expatriate managers. • Describes the advantages and disadvantages involved in their employment for the MNCs and for themselves. • From reviews a series of propositions were developed (7 in total) to allow researchers to test if they have the potential to offer a general and inclusive model of global career management of international itinerants. • Points out that expatriate managers see themselves as an 'international' itinerant moving from place to place pursuing an international career and not seeking to 'go home'.	Interviewed 30 international itinerants in Middle East and 15 in the Far East (Shanghai). Most of them were Western men. Used personal contacts to find these interviewees.	• Puts forward an argument that some careers are now mobile and learning based. • Organisations need to pay special attention to developing strategies for employment of international itinerants as they need little attention form HQ. • International positions should be classified into those needing expatriates and those needing itinerants and these should be based on MNCs objectives, • Secondly, itinerants should be employed in a flexible way to achieve maximum individual performance with minimum commitment from the MNC. • This paper is read with a view that itinerants will have a negative impact on localization and the context of my own research.	Middle East/China

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Selmer Jan (2004) #12	Corporate Policies motivating expatriates to localize in China. Focuses on the retention of expatriates due to the dearth of experienced managers in China.	Conceptual	• Main objective of the study is to examine the association between corporate policies intended to motivate expatriates to localize and the extent of localization of Western business operations in China. • Claims that China is the most important destination of FDI. • Claims not many empirical academic investigations have examined the issue of localization in China (Law, Wong and Wang, 2002; Wong and Law, 1999; Worm, Selmer and de Leon, 2001) • There are some observations and recommendations in the literature that corporate policies associated with objectives, performance and support could be used to stimulate expatriates to localize. • Author develops 3 hypotheses for the study (1) there is a positive association between objective-related corporate policies and localization; (2) there is a positive association between performance-related corporate policies and localization; (3) there is a positive association between support-related corporate policies and localization.	Survey used mail questionnaire directed at Western business expatriates in China. 165 questionnaires were returned representing a response rate of 25%. Self-developed scales because of the novel character of this investigation. Corporate policies used by Western Businesses in China to motivate expatriate to localize were measured on a 34-item scale as exposed from various anecdotal observations from the literature. Factor analysis with varimax rotation suggested six factors; stated purpose of localization, stated implementation objectives, performance assessment related to localization, compensation related to localization, training to teach, and good repatriation practices.	• First step – the 2 independent variables depicting objective-related policies were tested and the 'stated purpose of localization' was positively related where the 'stated implementation' variable had a negative association. • Second step – the 2 independent variables related to performance-linked policies showed 'performance assessment related to localization as a positive association but 'compensation related to localization' with a significant negative relation. • Finally the last step – the 2 independent variables related to support-connected policies (training to teach and good repatriation practices) with none of the 2 having any significant relationship with localization. • Results partly supported Hypothesis 1 but not Hypothesis 3 and the results for Hypothesis 2 were contradictory since one of the performance-related corporate policy variables is positively related to localization and the other is the reverse. • Implications – (1) it is important to clearly state localization as an official corporate policy; (2) carefully state the implementation objectives; (3) it is a good idea to include expatriates' efforts and results to localize in the regular performance criteria; (4) firms should be aware of potential pitfalls in remunerating expatriates for localizing their positions; (5) the effect on localization of providing support to the incumbent expatriate may be overrated. • Limitations – future studies may also consider controlling for industry effects, time of establishment in China.	China

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Kenneth S Law Chi-Sum Wong Kevin D Wang (2004) #3	An Empirical Test of the model on managing the localization of human resources in the People's Republic of China. Localization of Human resources is a major objective of TNCs; Wong & Law (1999) developed a practical model explaining the localization process in the PRC, this was used tested in this empirical study.	Empirical	• Draws on literature why localization is important to TNC's (cost of expatriation failure); Black, 1988, Oddou, 1991 and Tung, 1981 – I covered a lot of this in my MBA so good referencing available already. • Introduction recognises the limited research on what happens to expatriate and local managers in the host country during the process of localization or indeed no systematic empirical study on factors leading up to successful localization of expatriate positions. The paper seeks to fill this gap. • Explains the localization problem through literature review and the pros and cons, obvious advantage is the local managers having a better understanding of culture and the people of the host country. Shaffer and Harrison (1998) found that there are 5 most important factors affecting expatriate success; family, job knowledge, flexibility, adaptability and motivation – the cultural and family problems would be removed if local managers were put in place. • Recognises that localization is not just a carbon copy of the American business school model (Warner, 1985: Warner and Ying, 1998). • Defines Wong and Laws, 1999 practical model (both host and home country aspects) which covers 3 stages; Planning, localizing and consolidating.	Collected data from 2 samples First sample was a pilot study with pilot questionnaire designed following discussions with 4 practicing HR Managers- items generated using Wong and Law, 1999 model – 46 member companies completed the pilot study, respondents from US, Hong Kong, UK, Japan, and Western Europe. Exploratory factor analysis used to refine and decide upon appropriate items to ensure each variable. Revised and shortened version sent out to 180 HR Managers in TNC's operating in PRC (chose one province in PRC to control for differences in governmental drivers). This was achieved by the help of a professor who sent to 180 MBA students (current or graduates who were middle or top managers. 137 respondents, (77%)	• Through this empirical study it was found that all 5 hypotheses from the Wong and Law practical model were supported. • Model is supported in PRC; TNC's need to set clear localization objectives as guideposts for the host country, second on top of these objectives TNC's have to plan for their localization finally HR practices are needed to ensure success. • Interesting conclusion shows that HR practices are not the most important thing to ensure localization success; instead many companies want to localize their expat positions but did not set up any formal objectives of doing so. They do not have any concrete plans for doing so. They also do not have any concrete plans how localization can be achieved. Without objectives and planning, how can HR practice work? • Through good design and use of exploratory and confirmatory analyses followed by regression analyses, the hierarchical regression concluded that good HRM practices are need only after goal setting – fairly fundamental? • Limitations though as only one province in PRC used – results cannot be supported in other parts of the world although no challenge yet to whether the results could be considered generalistic. More fine-tuning needed on the measurement scales so managers have a clearer understanding of exact management practices needed to facilitate the localization process.	China

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Gerald E Fryxell John Butler Amanda Choi (2004) #9	Successful localization programs in China: an important element in strategy implementation. Attempts to empirically examine the effects of various aspects of a localization program in predicting its success in a larger sample but has to draw on a study of 3 firms to lay a firmer foundation on the theory which was hugely sparse on this topic.	Empirical	• Good introduction on localization but in the context of retaining expatriates and discussing what aspects of a localization program are the predictors of success. • Claims there is a lack of studies to draw upon regards private sector localization and that most studies focus on facilitating the adjustment of the managers. States firms consider localization important but firms are not good at it. (Economist Intelligence Unit, 1998). • Little research meant that field studies of 3 firm were required to uncover the predictors of localization success and these findings used to develop 4 hypotheses for the study; (1) "Formal planning aspects of a localization program will be positively related to the success of the localization program" (2)" Emphasis on selection will be positively related to the success of the localization program" (3) "Retention efforts will be positively related to effective localization programs" (4) "Attributions or trustworthiness will be positively related to the success of localization". • 4 common themes; Planning and speed of localization, recruitment and selection, retention efforts, and Attributions of trustworthiness.	Field studies of 3 MNCs to expose predictors of localization success. 4 common themes used to develop questionnaires. Utilized industry contacts to bolster response. Aimed and GMs, Line Managers and HR Managers. 67 complete sets (3 questionnaires) returned from 130 respondents yielding a 51% response rate. 80% manufacturing, rest from retail and wholesale sectors. 45% had partners from Hong Kong, 33% from US, 9% from France and rest other countries. Variables were measured on a 7-point Likert scale. Principle component analysis and hierarchal regression analysis used.	• 3 out of the 4 hypotheses were supported through this empirical study, Strong support for adequate planning aspects of a localization program. • Success of localization appears to be through the right combination of elements rather than depending on one element. • Retention efforts (H3) showed no significant effect on overall localization program whereas emphasis on selection and attributions of trust were supported to a degree. • Perceptions on the planning aspects differed between GMs and Line Managers – perhaps they are to disconnected (GMs) from the operations. • Limitations – focused on PRC so questionable if these results can be generalized. Focused on one region of China only. Questionnaires only used. Mono-method distortions or social desirability response bias?	China

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Jan Selmer (2004) #4 & 8	Expatriates' hesitation and the localization of Western business operations in China	Conceptual Empirical	• Addresses both the pros and cons of localization and comes up with a fine balance and well supported referencing. • Focuses on 2 key aspects; expatriates hesitation about localization – their unwillingness or indeed their inability and he comes up with 2 hypotheses for the study. • Hypothesis 1 – there is a negative association between incumbent expatriate managers 'unwillingness and localization. • Hypothesis 2 – there is a negative association between incumbent expatriate managers 'inability and localization.	Self-developed mail questionnaire. Dependent variable (localization) was measured on a 5-item scale. Principal component factor analysis (what is this?) Principal component factor analysis with varimax rotation (what is this?) Various anecdotal observations from the literature were measured by a 24-item scale with range 1-5 as above. Respondents average age was 45 and had spent approx. 6 years in China and lived abroad nearly 10 years. US (24%), Germany (13%), UK (10%), Australia (9%), Denmark (6%). 165 questionnaires returned at 25% which is low but comparable to other mail surveys of business expatriates (Harzing, 1997 and Naumann, 1993). All managerial and most CEOs. Majority from the 3 largest cities of Beijing, Shanghai and Guangzhou.	• Study confirms that localization is indeed taking place to some degree in western business operations in China, although unwillingness to contribute to localization is not uncommon. It is not my job to train locals or inability to train locals in less common. • Sample means and standard deviations show significant negative associations between all variables categorized as unwillingness and inability on the one hand and localization on the other which gives both the author's hypotheses preliminary support. • When both hypotheses were tested using hierarchal regression analysis, the results confirmed the support to hypothesis 1 but not hypothesis 2. • Limitations – Single method variance could have affected the results of the investigation (self-report). Also this study used only measures of the average level of localization at a certain point of time. A longitudinal approach may have worked better to explain different patterns of localization over time could have been compared.	China

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Adel S Al-Dosary Syed Masiur Rahman (2005) #16	Saudization (Localization) – A Critical Review. Addresses the concept of Saudization, the rationale for it and the relevant governmental initiatives and finally it discusses the consequences and impacts of Saudization.	Review Paper	• Provides a concept for Saudization and a rationale for Saudization. • Summarises governmental key initiatives for ensuring Saudization. • Good page on different Saudization efforts by organisations in Saudi Arabia.	Not Applicable – this is a review paper.	• Evidence points towards a downturn in the number of Visas issued to expatriates which I guess is proof of success of the initiatives either imposed by government or driven by organizations. • The paper concludes that the government should emphasize the need for equity between the public and private sector employment to reduce wage differentials. However, Saudization should place importance on skill development among nationals by strengthening educational and vocational training, and providing time-specific incentives, rather than relying on a quota system.	Middle East
Salma M. Al-Lamki (2005) #48	The Role of the Private Sector in Omanization: The Case of the banking Industry in the Sultanate of Oman.	Empirical	• Presents a case study on how the Banking Industry has succeeded in delivering their Omanization Policy successfully. • Achieved a 91% Localization. • Presents the corporate policies and practices that led to this success. • Background – the private sector in Oman traditionally has a high expat presence primarily low wage from India. 91.6% expats of the total private sector workforce. • States that lack of coordination and planning between education, training and development and the labour market requirements. • States lack of skills and competency for the private sector jobs has been reported as a major impediment to recruitment (Al-Amoudi, 1999, Al-Lamki, 2000, Rowe, 1992).	25 point questionnaire. Questions on corporate, human resource, and job profile. 4-point Likert scale. 19 banks in Oman received the questionnaire with 17 returns.	• Findings show that the most primary importance and integral role instrumental in achieving Omanization the CBO Omanization Policy, the most important strategy within this being considered as training and development. Another important milestone was considered to be collaboration, commitment and dedication of the management team of the banking sector which ranked second. • Concludes that these lessons learned could be synergised with other industry in the private sector.	Oman

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Ming-Chu Yu (2005) #14	Taiwan Multinational Companies and the Effects fitness between strategic roles and organizational configuration on business performance: Moderating Cultural Differences. Examines relationships among Taiwan's overseas subsidiaries based on their strategic roles, including integration and localization. Not too much regards localization but good paper to address impact of cultural differences and the effect on a local subsidiaries performance. This is important in my research.	Empirical	• Discusses the best known strategy is Prahalad and Doz (1987) Integration-Responsiveness network and the coordination-configuration network developed by Porter (1986), the former is exemplified by empirical research. Three classifications in the strategy; autonomous, active and receptive. • Autonomous subsidiaries have high local responses but low integration. Active subsidiaries are highly integrated and receptive subsidiaries have low local responsiveness but highly integrated. • Points out that there are arguments for best fit between home and host businesses (Ghoshal & Bartlett (1991), Sun, 1997, Targart, 1999, Birkinshaw & Morrison, 1995); this study proposes 3 hypotheses based on these theories. • Based on research by Baliga & Jaeger (1984) and Jaw (1994), another three hypotheses are put forward by authors to address the cultural differences between home and host countries; (1) – "A parent company's cultural difference has a significant negative effect on a subsidiaries business performance", (2) – "The interaction of a subsidiary's strategic role and cultural differences has an influence on the subsidiary's business performance", (3) – "The interaction of a subsidiary's organizational configuration and cultural differences has an influence on the subsidiary's business performance".	Postal questionnaire sent to 600 Taiwanese companies (CEOs), 142 valid questionnaires returned. 24% response rate; 85 (60%) mainland China, 33 (23%) South East Asia, 25 (18%) Europe and US. The internationalization process (stage) of all the respondents was also diverse. See paper for information on this if needed. The variables for (subsidiary Strategic Role) global integration and localization responsiveness were drawn from literature and pre-tested with a sample of 30 foreign subsidiaries for reliability and validity before inclusion in a final questionnaire. 6 variables for global localization and 4 for localization responsiveness. All 10 variables on a 7-point Likert scale. Organizational Configuration, Business Performance and Cultural Difference followed same principal 7-point Likert scale.	• Three strategic clusters were observed supporting hypothesis 1 – "The global strategies of MNC's subsidiaries will be segmented according to the two dimensions of global strategy; global integration and local responsiveness. The sample of Taiwanese MNC affiliates will fall into 3 sub-groups depending on their global strategies. These clusters will resemble the 3 types identified by Jarillo & Martinez (1990)". • Concludes that different types of industries and their stages of internationalization, degrees of integration, degrees of localization and degrees of resource dependence are the most important factors on the subsidiaries perceived activity satisfaction. When the cultural differences between apparent company and a subsidiary is getting smaller and the subsidiary has more local responsiveness, the subsidiary has a higher activity satisfaction.	Taiwan

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Joan Muysken Samia Nour (2006) #49	Deficiencies in Education and Poor Prospects for Economic growth in the Gulf Countries: The Case of UAE	Empirical	• Discusses the serious impediments to a successful implementation of the strategies of the UAE to reduce the dependence on foreign workers. • Raises concerns on over-reliance of oil and gas revenues claiming it uncertain and volatile. • Contributes to a small amount of literature that addresses the interaction between skills and technology and calls for upskilling in the gulf. • Analyses the implications for low skill levels, the inadequate provision of training, the skills mismatch and their relation to knowledge transfer and the duality between the public and private sectors. • Demonstrates the low technological level and dependence on foreign technologies. • Good section on low skills levels and non-native workforce; mentions serious disincentives to hire native workers in the private sector due to lack of educational qualifications and provision of higher salaries in the public sector, education system biased against technical fields and this bias leads to a skills mismatch between public and private sectors.	Using a Nour (2002a) survey which was addressed to 40 policy-makers and experts in 14 public and university institution sin the UAE. Response rate of 75%. Survey was followed up with face-to-face interviews. Industries used in Nour survey; chemical and metal products. Large and medium-sized firms used. The authors use the results of Nour survey to (1) assess skill and technology levels and then (2) to investigate the relationship between education, training, technology and tacit knowledge.	• The data from Nour (2002) show that tacit knowledge enhances the level of output and productivity in the UAE firms and that education is significantly correlated with training and technology. • Indicates that the contribution of both the educated and trained population to promote the local skills is constrained by several factors; lack of interaction with market needs (mismatch0, the lack of information on educational and training needs in the productive sectors and their demand for graduate students. • The interaction between the high share of unskilled foreign workers and the deficient educational system lead to a lower skill level, poor provision of training, skills mismatch and hindered transfer of knowledge. • Concludes that the Gulf countries can benefit from the experiences of the European countries, where the government limits itself to pay the teacher's salaries and leave coordination problem to the employer's federation.	UAE

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Ramudu Bhanugopan Alan Fish (2007) #2	Replacing Expatriates with Local Managers: An Exploratory Investigation into Obstacles to Localization in a Developing Country. Uses study measures from Al Lamki (1998) research to (i) identify and determine what the obstacles to localization are in PNG (ii) examine the reasons as to the slow pace of localization in the private sector and (iii) develop a diagnostic model of localization to assist policy recommendations to government.	Conceptual Empirical	• Presents a background to localization and states that there seems to be minimal progress in localizing positions in the private sector, mainly due to the lack of skilled labour required to maintain the quality required in the output of private sector MNCs. • Identifies another problem being government planning and the timing of transfer of position to a local employee. • Highlights there are other barriers such as; verbal communication barriers, cultural misunderstandings, misunderstanding foreign business strategies, inappropriate non-verbal communications, compensation inequities and arrogance of expatriates in their positions of management. • PNG government introduced a 3-year training programme to solicit increase in localization. • Research problem in PNG the localization problem is too slow and not smooth and government does not have significant impact on its main objective (above). Jobs are becoming scarce as the positions are still filled by expatriates, even after 10years in some cases. The education of the locals is still perceived by expatriates to be of a lower standard than required. Some locals are being dismissed before their formal training is completed. A key issue that stalemates localization is the ongoing non-availability of experienced locals.	A questionnaire was designed to elicit the perception of local managers working under expatriates in PNG in the private sector. Information on the perceived obstacles to localization by local managers. 2 open-ended questions explored local managers overall perceptions as to the current localization programmes in place. Population comprised local managers in private sector organisations. Nineteen items adapted from the Al Lamki study. Questionnaire was pilot tested on 10 local managers and then revised on their feedback and input. Targeted local middle level functional managers. 119 returned of which 114 were used.	• Results indicate that socio-economic conditions, training and development, and performance factors were significantly correlated to localization in the private sector. • Results testing the relationships for the 'future localization factors' also returned the same correlations to support above. • The most significant obstacles are deemed to be socio-economic conditions of the country, performance of the local staff, and the inappropriate training and development programmes offered to local staff. • Understanding the root cause of cultural pressures and recognition of how it is manifested, may help locals change what is perceived to be inappropriate performance. • Locals made several comments that the government should continue to help support localization although to date they have been loathed in interfere with private sector business. They should be encouraged to identify and recommend practical solutions to the localization problems. • Most locals responded that lack of training and experience are major factors that impede localization and that a study should be undertaken to identify core competencies needed to do the job and training put in place. • However, the major obstacle to overcome is that of responsibility, whose shoulders does localization fall on, the government or the private business? • A 'future model of localization' is presented to and encourages that localization programmes should be legislated in PNG.	Papua New Guinea

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Christopher J Rees Aminu Mamman Aysha Bin Braik (2007) #1	Emiratization as a strategic HRM change initiative: case study evidence from a UAE petroleum company. The paper identifies a dearth of academic research on nationalization programs in the Middle East although they are a key feature in this politically led initiative.	Case Study	• Recognizes that dependence on an expatriate workforce has serious long term political, economic and social consequences and refers back to Al Lamki (1998) paper. • The introduction notes that localization strategies are inextricably associated with globalization, economic growth and reform, and competitiveness (Al-Dosary, 2004; Looney, 2004; Mellahi and Wood, 2002). • Draws parallels and focuses on Africanization policies (although public sector) and (1) the desire to consolidate political independence, (2) it is more economical to maintain local staff then expats, (3) to ensure stability of staffing, (4) to conserve foreign exchange, (5) the desire to manage one's own affairs. • The author's presents a section on Nationalization within the Middle East and it parallels with Africa and how this has led to calls for a detailed examination of localization strategies in the Middle East. • Search of the internet found few studies surrounding localization in the Middle East and the author attempts to address the dearth in academia by conducting a case study to (1) examine critically the nature of Emiratization, (2) identify and explore issues surrounding the implementation and evaluation of organizationally based programs, (3) identify implications of Emiratization for HR practice in the UAE.	Case Study involved the collection and analyses of secondary data obtained from company documents and primary data from interviews with senior managers from a petroleum company based in UAE. Interviews were used to explore 3 main questions; (1) what does Emiratization mean to these managers? (2) What were their views about the level of top manager's commitment to Emiratization? (3) What did these manager's consider to be the main challenges associated with the company's Emiratization programme? Primary data were gathered from face-to-face interviews, author was a UAE national. Interviews were structured and lasted for 90 minutes and confidentiality maintained. 12 senior managers were interviewed across range of departments and all had worked with the company for over 4 years.	• One of the main conclusions of this study is the extent to which HRM activities in the ME countries such as the UAE are influenced by centrally driven nationalization agendas. • The findings of the study (design and implementation of organizationally based programs in the region, the measurement of the program outcomes, emotional perspectives and resistance to localization) have potential implications for HRM theory and practice and highlights the need to establish better links between international HRM research on localization and current employment practices in the ME. • The reasons why localization programmes in the ME are neglected remain unclear. • Concludes there is a need for academic research into localization policies particularly in terms of HRM within the ME and future studies should explore localization from political, social, psychological and business perspectives to give a clearer picture of the policies and their effects on ME organisations and societies. • Management commitment did emerge as a key success factor within the case study organization; however, there were a number of responses contradicting this success where top level management commitment was no more than a financial investment without follow up! • Limitations – based on a study of 1 organization in one sector only and a small number of participants.	UAE

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Abdul Basit Al-Hamadi Pawan S. Budhwar Helen Shipton (2007) #50	Management of Human Resources in Oman	Empirical	• The paper provides an overview of the scenario of management of HR and the factors influencing the same in the Sultanate of Oman. • There is a case for investigating HRM practices in Oman from the literature review therein. • Discusses lot of aspects of the social environment that impact HRM. • Little bit on Omanization that supports findings of other papers in this list. • Discusses Vision 2020 Policy to develop skills and capabilities of people; 3 aspects (1) upgrading levels of education and vocational training, (2) development of the private sector and removal of barriers in support of DFI and, (3) optimization of HR resources. All these 3 above involve Omanization. • Good section (relevant to my research) on influence of national culture and institutions on HRM in Oman. • A survey (Budhwar and Sparrow, 2002, Budwar and Debrah, 2001) was used as empirical evidence of results. Total of 1500 questionnaires distributed and response rate of 48%. Gave results of influence of national culture on Omani HRM;	Adopts the survey of Budhwar and Sparrow (2002) information in this review. Get copy of paper. 1500 questionnaires distributed. 250 each in organisations; Sultan University, Sultan University Hospital, Oman Telecommunications Company, Civil Service, Ministry of Municipalities, Water Resources and Environment and Petroleum Development LLC. Response rate of 48%. 70% male respondents. 48% below 30 years of age. 45% hold an educational degree. 59% had work experience between 6-15 years.	• Results of the Budhwar and Sparrow (2002) survey gave high priority to the importance or religion, the socialization process as well as the influence of the expatriate workforce. • The majority of the Omani employees believed the influence of the expatriate workforce has the most important impact on an organizations HRM policies and practices. • Concludes that Oman may be more committed to HRD than HRM. • There is little or no recognition of the importance of linking HRD to business objectives. • Highlights a partnership between the government and the private sector through the Sanad Manpower Employment Project (SMEP) and the government private sector Omanization teams and committees. These committees encourage enterprise, improve technical training and vocational training, and promote greater private sector involvement in education and training. • States the importance of international managers to know which factors within the national and institutional framework may influence preferences for HRM practices.	Oman

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Simon S K Lam Joseph C K Yeung (**2010**) #37	Staff localization and environmental uncertainty on firm performance in China. Purpose of this study is to (1) examine the relationship between the degree of staff localization and performance and (2) test the moderating effect of environmental uncertainty on the relationship between staff localization and firm performance in an emerging economy. Integrates insights from extant theoretical frameworks.	Empirical	• Presents evidence on pros and cons of localization and suggests that local staff and expatriates complement each other • Questions at what point does localization become excessive and will there be moderating factors underlying an optimal degree of staff localization? • Focus is in the context of emerging economies. • Presents a good argument that expatriates at a senior level will help bridge the gap to HQ in high uncertainty countries if the current level of staff localization is high and develops 3 hypotheses based on this discussion – (2) "Environmental uncertainty moderates the effect of staff localization on firm performance" (2a) "At a low degree of staff localization, the positive impact of an increase in staff localization on firm performance will be stronger under the condition of high environmental uncertainty" and (2b) "At a high degree of staff localization, the negative impact of an increase in staff localization on firm performance will be stronger under the condition of high environmental uncertainty". • Other factors addressed that are key; Organisation tenure which would include how long a company has been set up I host country etc., Hierarchal level or the number of levels between senior managers and the operational staff, previous experience of expatriates in the host country, strategic thinkers amongst expatriates.	Large scale survey on HR management practices administered in China. Questionnaires distributed to 450 MNC subsidiaries throughout the country. 111 completed responses at a response rate of 25%, the final response includes 68 wholly owned subsidiaries and 43 Joint Ventures. All respondents were general managers (66) or deputy general managers (45 cases) of the organizations. Objective (degree of localization, previous experience of expatriates in country and organisation tenure) and subjective (performance, environmental uncertainty) measures were used. Subjective measures on a 7-10 point Likert scale and adoption of measures from previous studies (Paswan et al, 1998 and Luo and Peng, 1999).	• A curvilinear relationship was found between the degree of localization and organisation performance and this was found to be moderated by the degree of perceived environmental uncertainty. • All 4 hypotheses were found to be supported from data analysis carried out. • High degree of localization can impede performance in countries with high degree of uncertainty. • Findings found to be robust as study was controlled for the effects of ownership type, organisation size, industry type, organisation tenure and hierarchal complexity. • Limitations – cross-sectional survey data have a number of obvious limitations? Study focuses on PRC as the world's most populous emerging economy and survey needs to be repeated in other emerging economies. • This study provides a cautionary note about proliferation of localization programs among companies that do not fully comprehend the implications for their corporate control practices.	China

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Kenneth S Law Lynda Jiwen Song Chi-Sum Wong Donghua Chen **(2009)** #6	Investigation of antecedents of localization success based on resource dependency theory (RDT). Medcof, 2001; Pfeffer & Salancik, 1978. Resource Based View (RBV) Barney, 1991 used to codify the consequences of Localization.	Empirical	• Definition of Localization (in context needed) • States that studies on how to achieve successful localization remain scarce. • Twofold study; investigate factors that lead to successful localization, and secondly to investigate the relationship between localization and firm's performance. • Reviews literature on localization. • Objectives of study; (1) to offer empirical evidence to the ongoing debate on the possible relationship between localization and firm's performance. (2) Address the gaps in previous studies (Fryxell et al., 2004; Selmer, 2004a and 2004b; Law et al., 2004) which focused on the conditions facilitating successful localization in MNEs by employing resource dependency theory to analyse the localization process. • Based on RDT perspective of localization they propose there are 3 sets of antecedents to localization; parent company support, local company commitment, HRM practices.	Developed in 2 parts with first part aimed at developing the scales for localization success, localization related HRM practices and other variables. Inductive scale development approach used (Hinkin, 1995, 1998) Series of interviews conducted with top managers and HR managers of MNEs in Honk Kong, Guangzhou and Shanghai- they were asked3 questions. 94 managers responded. 15 doctoral students in 3 groups provided the input as raters Categories compared with Law et al study (2004) and category added! Pilot Study conducted. Part 2 of study where 2080 sets of questionnaires were distributed. 229 useful questionnaires returned, response rate of 11%.	• First study that found a significant relationship between localization success and top management ratings of company performance. • Few scholarly studies reported in literature on this topic – two main themes; whether localization is beneficial to MNEs (Selmer 2004a) and second theme focuses on conditions leading to successful localization in MNEs (Fryxell et al., 2004). • General literature tends to indicate that the advantages of localization outweigh the disadvantages (Hailey, 1996; Kobrin, 1988; Scullion, 1991).	China

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H Itagaki (2009) #5	Competitiveness, localization and Japanese Companies in China: realities and alternate approaches	•			•	China
Muhammad Asad Sadi Muhammad Abdullah Al-Buraey (2009) #51	A Framework for the Implementation Process: The Case of Saudisation.	Empirical	• The background of the Saudization initiative is examined in this study which focuses on the implications for the Kingdom of SA services sector. • This study employs quantitative research to probe the opinions of the services sector relating to the Saudization Policy and its repercussions on various industries. • The paper examines key impediments which stand in the way of achieving the policy's aims. • Suggests that success in tackling unemployment and implementing the policy means searching for solutions to wider socio-economic problems and the possibly, educational reforms rather than just replacing expats. • There are fears that any gains for locals may be offset by a decline in productivity and global competitiveness • 3 Objectives (1) investigate the perceptions of managers in the service industry and as to what extent the policy has been successful (2) to explore the issues that businesses faced relating to this policy and (3) to examine various drivers of adoption of this policy, their impact on its success.	A structured and self-administered survey questionnaire. Distributed to 300 executives in the services sector in Saudi Arabia east province. Designed to measure work performance of their executives. 195 (65%) were suitable for analysis. Most categories of services sector; however not engineering or petroleum services sector! Likert scales employed. Analysed using independent sample t-tests, and ANOVA as well as multiple regression models.	• Makes the following conclusions: • The perception of most managers about the Saudization Policy was clearly positive. • Significant impact of executive's perception existed with respect to the positively oriented aspects of Saudization policy on its success. • No impact of the characteristics of local employees on the success of the policy (individuals supplied by Ministry well highly trained in this study!). • Replacement of expats with local workers despite being skilled and hardworking does not justify the Saudization Policy. • Motivations for Saudis to work at service companies was not enough due to the fact most of the jobs held by expats were non-specialized, the locals were not interested in them. • Success of the policy was impacted by chamber of commerce procedures and social responsibility. • The survey overwhelmingly rejected the idea of forcefully implementing the policy. • The policy was found to be successful in the public sector but relatively unsuccessful in the private sector. • The survey clearly showed how the companies in the service sector were contributing to the policy by displaying positive attitude towards Saudization efforts.	Saudi Arabia

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Ingo Forstenlechner (2009) #20	Workforce Localization in emerging gulf economies: the need to fine-tune HRM Sets out to identify HR-relevant recommendations for workforce localization in the context of the Gulf economies. Interestingly, the author dismisses theory and research in the context of Africa and Asia Two perspectives used; analysis of the environment and rationale behind localisation and that of a focus on particular aspects of HRM	Empirical	• Paper analyses and discusses the inherent problems regarding the integration of UAE nationals into the workforce and put forward a set of recommendations to adapt key HR processes, from recruitment and selection, education and training, career management to the design of reward systems. • Claims the demographics of UAE is a good rationale for excluding previous localization efforts on Africa and Asia – for example, they concentrated on pubic centre and the reasoning behind localization in UAE is vastly different from other developing countries as there is only a 20% local concentration – I challenge this in the context of HR practices. • Threefold aim for the research; firstly, to examine how the government has attempted to foster localization of the workforce, secondly, to define which problems have arisen from these attempts and their implications in the current situation, and lastly, to suggest changes in the current HR practices to improve an organisations chances of localization. • Aims to test and expand the existing theory b querying the practicability of previous findings in single aspects of HRM. • Paper describes the demographics as the rationale for localization and governmental interventions.	Individual face-to-face, semi-structure interviews with HR and line Managers involved in Emiratization initiatives. Rationale for this kind of research is based on Ahlstrom, 2004 who found that in developing countries, research subjects often preferred face to face interviews to questionnaires. Basis used for questionnaire taken from Rees et al, 2007 paper. 52 personal and professional contacts were approached – 29 agreed to participate and 25 interviews conducted. Recorded and transcribed and lasted between 45-75 minutes. Two research assistants helped to code and match.	• Lack of clarity detected to what Emiratization really means and a definite lack of commitment from management through common threads in the data analysis. • All interviewees stressed that HR practices need to be adapted to support localization. • Strong emphasis needs to be placed on training plans as the schooling is considered quite week and the quality of degree not to desired standard. • Lack of career development plans highlighted by high number of respondents. • Catalogue of problems identified related to work ethics and attitude, lack of seriousness about work – strong recommendations made that senior nationals rather than expatriates should be tasked with disciplinary issues. • Study extended an understanding of practical implications of localization as they relate to HR practices in the Gulf. • The Gulf could benefit from in-depth studies into the gaps between educational expectations and reality. • Limitations – data collection limited to one country (UAE). Although only 25 interviews there was a high level of saturation in the responses early on! • Another limitation which was identified at the outset is the relative novelty of the topic in scholarly literature in the field of localization.	UAE

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Kasim Randeree (2009) #52	Strategy, Policy and Practice in the nationalisation of Human Capital: 'Project Emiritization'	Theoretical and Empirical Underpinning	• This paper examines 'Emiritization' with a view to evaluating the success of the policy as well as its shortcomings to this point in time. • Discusses how a well-designed nationalisation process coupled with the active participation of the national Emirati women in the mainstream commercial strategy, including the private sector, can help in alleviating many of the problems in the UAE. • Gives a critical review of the major issues concerning the human capital development of the knowledge based economy in the UAE focusing on the challenges facing Emiritization; Emiritization of the private sector, role of women, appreciation of the former, current and future role of expats and the need for education and training. • Good section on public and private sector challenges; presents dual problem (1) private sector employees have negative perceptions of nationals as being less productive than expats; (2) Emirati nationals are legislated to higher salaries than expats for the same work • Government promotes a 3-pronged strategy (1) to improve the mobility of all workers including expats (2) to advance the productivity of Emirati citizens whereby no job is considered off limits (3) to integrate the output of educational establishments with the needs of the labour market.	Research and critical analyses of relevant literature.	• Generates a model for the development of an Emiritization Strategy • Includes 4 parts (1) Strategic Vision of the Government (2) Career development of the individual (3) Knowledge retention and learning (4) Recognition for the individual such as scholarships or further external training etc. • A second model is presented which recognises that HRD is central to the phenomenon of Emiritization and explains direct links between HRD and Ministry of labour, Universities, Training institutes, data collection centres, and advisory groups. • On of the key challenges from review of public and private sector is an emphasis on training and development and the effect this will have on effective nationalisation.	UAE

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Ingo Forstenlechner Emilie Rutledge (2010) #21	Unemployment in the Gulf: Time to Update the "Social Contract" Read but not relevant to my localization research.		•	•	•	UAE
Lingfang Fayol-Song (2011) #53	Reasons behind management localization in MNCs in China. This study was prompted as little academic research was still deemed to be carried out in this field apart from some professional reports. Draws on theory and literature set by Lam et al (2004), Hailey (1993), Hauser (2003) and Lasserre and Ching (1997).	Empirical	• Sets a good introduction on why localization is important in China. • Good review of literature in terms of motives of management localization. Focuses on Lam et al. (2004) three corporate forces responsible for management localization; regulatory, normative, and cognitive. • Secondly, draws upon Hailey (1993) three sources of pressure; local government, local managers, and firm's parent company. • Thirdly, draws upon Hauser's study (2003) which reveals 3 motivations; cost reductions and skills transfer and difficulties in repatriation. • From literature review develops five hypotheses; (1) the implementation of management localization is required by local government regulations; (2) companies implement management localization to reduce expatriation cost; (3) companies implement management localization to avoid the drawbacks to expatriation; (4) companies implement management localization to gain in-depth knowledge of the local market; (5) companies implement management localization to retain local managerial talent.	Largely qualitative study conducted in 12 major French companies operating in China. 12 interviewees who occupy top-level positions. All companies established more than 5 years in China. Semi-directive in-depth interviews to solicit ideas and opinions on the motives which make their companies decide to implement management localization. Interviewees were asked to list in order of decreasing importance their 3 main reasons. 10 stated reasons were then grouped into 5 categories to explore further.	• All 12 companies cited cost reductions as one of the most important reasons for management localization. • 12 companies also cited recourse to local competences as one of the main reasons. • Not one company cited management localization as a means of avoiding a failed expatriate. • 3 companies cited the maintenance of good relations with the local government as the main reason for localization. • Study concludes that the 5 reasons mentioned in the survey are not without an influence on the company's performance and the motivation of the local managers and puts forward a model to give a schematic resume of the impacts of each category of reasons; the first 2 categories (cost reductions and replacing lack of expatriates) represent direct , immediate interests for companies however these are short-term and may lead to premature localization which will have a negative impact on the strategy. Conversely the remaining 3 reasons (reliance on local competence, career development, and maintenance of good relations with local authorities) are more of a long-term strategy and satisfy the company's own needs and that of the local managers.	China.

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Stephen Swailles L.G. Al Said Saleh Al Fahdi (2011) #54	Localisation policy in Oman: a psychological contracting interpretation. Reviews progress towards localization in the Sultanate of Oman using psychological contract theory.	Empirical	• Recognises as common theme in the literature is one of poor employee motivation and skills gap in the local workforce • Gulf States are characterised by a particular form of social contract that embodies a set of attitudes and beliefs about work that are generally seen as contrary to workforce development. • The main research questions were; (1) how are the skills of young Omanis perceived in relation to the labour market? And (2) what further actions are needed to assist the Omanization process? • Summarises the previous localization research (but in the context of the Middle East and the social contract. • Findings from discussions of progress towards localization are then presented, barriers to Omanization are identified and interpreted using a psychological contracting perspective and implications for policy change are given. • Good background but all relevant to Gulf States • Oman has a solid educational and welfare infrastructure but are characterized by a distinctive form of social contract (Forstenlechner and Rutledge, 2010), in which political obedience among citizens has been traded for a public sector that has been expanded to provide jobs in conjunction with low personal taxation and free social services.	Informants drawn from the private sector and from government departments responsible for the Omanization Policy. Information sought from a range of sectors. High level access obtained to interview representatives from 4 ministries. Interviews held with 14 private organisations. Main interview questions were centred on the obstacles to Omanization identified from scoping review with ministries. General lists of barriers are available (Bhanugopan and Fish, 2007); however, the approach used here was from Miles and Huberman, 1984 analytical frameworks to draw common themes. Limitations – it is difficult to separate stereotypes of local labour from stereotypes of foreign workers?	• Four main themes emerged from the data; public sector attractiveness (general preference of Omanis to seek employment in public sector), scepticism (it is perceived by a percentage of private sector management that officials are not fully aware of the actual conditions of the roles in the private sectors leading to loss of quality of output), remuneration (wages out with oil and gas in the private sector are quite low in comparison to public sector), and employability (young Omanis lack the skills necessary for the private sector)... • Findings suggest that the educational reforms that have taken place are not developing university and college graduates with the 'right' work ethic. • Paper concludes that successful localization requires an active collaborative participation between government and private organisations and identifies 2 broad but related conclusions, below: • Supply side –there is still a mismatch between the employability of graduates from the education system and the skills needed by employers; the education systems in Oman need to put more emphasis on acculturation in relation to the demands and expectations of the contemporary private sector workplace – more emphasis needs to be placed on attitudinal employability. • Demand side – there is in effect unequal competition in the labour market as many private employers still favour foreign labour because of the assumed higher work ethic (local prefer shorter hours, more security etc.).	Middle East - Oman

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Ingo Forstenlechner Mohamed T. Madi Hassan M. Selim Emilie J. Rutledge (2012) #55	Emiritization; determining the factors that influence the recruitment decisions of employers in the UAE	Empirical	• This study seeks to quantitatively determine the recruitment decisions of employers. • The study seeks the views of HRM personnel based in the UAE in an attempt to identify the factors most significant in achieving nationalisation. • Indicates that nationalisation programmes are yet to achieve their goals and the majority of the private sector is still to fully sign up to the process. • 6 Hypotheses were constructed one for each of the factors analysed from the literature; Social, cultural, economic, regulatory, educational, and motivational. • The paper first sought to determine which factors are statistically significant in terms of reducing a given employer's willingness to recruit nationals and secondly, to determine which of the factors had the most bearing. • Good background section explaining the 3 core tenets of Emiritization (1) to diversify away from over-reliance on hydrocarbons sector (Rutledge 2009, Davidson 2009b), (2) bottom-up, to overhaul educational systems and align to skills of the market (Bains 2009, EIU 2009, Davidson 2009b), (3) top-down, implement a range of direct labour market intervention measures.	Questionnaire posted on the internet to which 247 samples return positively and this was used as the sample to analysis. 5-point Likert scale was used. 60% were nationals and remainder non-nationals. 64% worked for the private sector and remainder state-owned or public. 12% held HR positions.	• Overall it was found that perceptions of the average national's motivation had the largest bearing on reducing an employer's willingness to recruit from this cohort. • The factor most likely to contribute to internal resistance to a proactive policy was the regulatory one and this was constant for both national and non-national returns. • It makes more business sense to only review the Cv of non-national candidates for a wide range of occupational roles and Hypothesis 2 (false) accordingly, employing a national candidate is more problematic in terms of accommodating cultural sensibilities. • Economic and Regulatory factors – Hypothesis 3 (valid) accordingly, the additional cost of a national v non-national was not found to significantly reduce the willingness of employers to resist such a candidate and Hypothesis 4 (false) accordingly, the ambiguity over differing national/non-national employment rights does make hiring members of this cohort proportionally more costly. • Educational and Motivation factors – Hypothesis 5 (true) accordingly, national jobseekers are considered to have reasonably good educational attainment levels suggesting that employers consider this cohort not to be deficient in qualifications and the perception that national jobseekers are less vocationally motivated compared to non-nationals does have a strong bearing.	UAE

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Mohammed A. Al-Waqfi Ingo Forstenlechner (2014) #56	Barriers to Emiritization: the role of policy design and institutional environment in determining the effectiveness of Emiritization.	Empirical	• The study assesses the effectiveness of the Emiritization Policy as practiced over the last 2 decades along with the major challenges encountered and based on this assessment, recommendations are made with regard to the needed changes in regulations, policy, tools and mechanisms, and parameters of compliance to ensure effective implementation of an Emiritization programme. • Addresses the following: • (1) How is Emiritization being defined and operationalised by decision makers and practitioners in the field? • (2) To what extent are Emiritization targets successfully achieved by various types of organisations in the UAE? • (3) To what extent is the Emiritization Policy as currently being implemented, effective and what are the key determinants of and barriers to the effectiveness of Emiritization? • (4) What changes in the efforts might need to be made to new measures introduced to enhance the effectiveness of Emiritization in achieving its intended targets. • Excellent literature review with many references to barriers; sociocultural and institutional	Interviews due to exploratory nature of the study. Semi-structured interviews. Face-to-face. Mixed qualitative and quantitative approach to gain a more holistic understanding for the study. First part included factual information about the organisation, second included open-ended questions on views of Emiritization efforts implemented and outcomes achieved and third part included closed questions to assess respondent's perceptions with regard the effect of the Emiritization policy. 300 Managers and HR professionals from organisations in various sectors of the economy. 32 agreed to interview.	• Achievement of Emiritization targets – one of the key hindrances has been the lack of clear, reasonable and enforceable Emiritization targets. • None of the organisations that reached their targets were from the private sector. • Perceived effectiveness of Emiritization – respondents disagreed that policy was well-defined, uses effective mechanisms and enforcement tools and enforced aggressively by government authorities. They indicated that policy was unsuccessful in the private sector. • The difference in wage expectations is the most commonly cited reason for poor Emiritization levels in the private sector. • Respondents believe the current laws and regulations were ineffective and considered the legal frameworks governing the employment of citizens was ineffective and that there are more problematic issues such as skill and competency levels, pay expectations and commitment to work in a competitive environment. • Barriers to Emiritization – 9 barriers identified in table 7 and all respondents agreed that they do present barriers to localization. • The strongest barrier according to sample are high reservation wage of nationals to non-nationals. • Concludes that barriers include various elements such as generally inadequate work skills and competencies of local job seekers as well as cultural norms and work ethics that might be incompatible with what is needed to perform effectively in a modern and knowledge-based economy.	UAE