The development of Saudisation practices in the Saudi supermarket industry : an institutional perspective

The Development of Saudisation Practices in the Saudi Supermarket Industry: An Institutional Perspective

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Dedication

To my wife, Maryam Ficociello, for your infinite care and love

To my lovely kids, Hamza and Amira who are the true joy of my life

To all those who never lost faith in me…

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Declaration

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the Birkbeck College, University of London is solely my own work other than where I have clearly indicated that it is the work of others.

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Yassir A. Nassief

13th May 2015

Abstract

This thesis examines the development of Saudisation practices in the Saudi private sector. The focus of the empirical research is five supermarket firms operating in Saudi Arabia. The thesis investigates the development of Saudisation practices over time with a particular focus on the period between 2003 and 2007. Methodologically, this research adopts the mixed methods approach to data collection by using both quantitative and qualitative data. The study applies explanation-building and pattern-matching techniques to analyse the data collected. Theoretically, the study draws on analytical models from institutional theory, in particular from the work of Greenwood, Paauwe, Scott, Oliver and others. The thesis makes a further contribution to existing work by scholars of contextual human resources management and the Dutch HR network.

The research findings show that Saudisation practices are an institutional field. The field has prime actors such as the Ministry of Labour, leading supermarket chains and young Saudis. Those primary actors and other secondary ones apply regulative, normative and culture-cognitive pressures. The result of these pressures is the isomorphism of Saudisation practices, in which practices are diffused in the industry. This study shows that under limited and contradictory institutional pressure, practices are not diffused. However, Saudisation practices are diffused under extensive pressure or where there is potential return for the business. This research also suggests that the leading firms tend to have a common demographic composition, both as entire organisations and also, in part, in their senior management teams.

Key words: *supermarket, institutional theory, human resources practices, Saudisation, Saudization, nationalisation, contextual human resources, affirmative action.*

List of Abbreviations Used

AA/NP	Affirmative Action/National Polices
ALJCSP	Abdul latif Jameel Community Initiatives
ASHRM	Arabian Society for Human Resource Management
CBHRT	Contextual Base HR Theory
CR	Critical Realism
DHRN	Dutch HR Network
EEO/AA	Equal Employment Opportunity/Affirmative Action
EthOS	Electric Theses Online Service, of the British Library
GCC	Gulf Cooperation Council
GOSI	(Saudi) General Organisation for Social Insurance
HPWS	High Performance Work Systems
HRDF	Human Resources Development Fund
HRM	Human Resources Management
ME	Middle East
MoL	Ministry of Labour
NMW	National Minimum Wage
NSJT	National System for Joint Training
NSP	National Saudisation Policy
OPEC	Organisation of Petroleum Exporting Countries
PRP	Performance-Related Pay
PSLM	Private Sector Labour Market
Quango	Quasi-Autonomous Non-Governmental Organisation
RBV	Resource-Based View
SAGI	Saudi Arabian General Investment Authority
SCA	Sustainable Competitive Advantage
SHRM	Strategic Human Resources Management
TVTC	Technical and Vocational Training Corporation
UE(T)	Upper Echelon(s) (Theory)

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Chapter One: Introduction

It is clearly essential for any researcher studying human resources management in Saudi Arabia, not to avoid the debate and the reality of Saudisation[1]. Saudisation policies in the country have led to the appearance of certain HR practices in the private sector. These new and emerging HR practices have deepened the dichotomy within the labour market in the country, where Saudis are given preferential treatment (Mellahi, 2007). While some HR practices apply to Saudis, others apply to foreigners. As an operational manager in a large retailing company suggested: "Saudisation practices are a mature version of existing Saudi HR practices".

The development of Saudisation practices is a local case that exemplifies the development of HR as a concept since its inception in the West in 1911 and also demonstrates the local HR challenges faced in Saudi Arabia. In 2011, the Saudi Ministry of Labour released statistics indicating that Saudi workers represented only 10.9% of the total number of workers in the private sector. In 2013, an estimated 80% of jobs in the Saudi labour market were taken by non-nationals (CIA Factbook, n.d.). Such statistics have been the norm in Saudi Arabia for decades. However, more recently, they have been matched by a high unemployment rate of 12 % among Saudi nationals. In addition, 1.5 million of the 2 million new jobs created in the last four years went to non-Saudis. (IMF, July 2013).

In order to reduce this high unemployment rate, the Saudi government introduced Saudisation measures which have forced some companies out of the market. As Saudi Arabia continues to develop the skills and employability of its citizens, it is important to gain an insight into the ways in which the private sector is reacting to

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[1] The full background to the engagement of Saudi nationals in the workforce is presented in Chapter 5.

this Saudisation policy, in order not only to understand the gaps in practice, but also to be able to imagine possible solutions to them.

This research investigates the institutional factors that shape HR practices in private sector firms. It aims to investigate the process by which *Saudisation practices,* a form of HR practice, were developed and how these practices are formed in the supermarket industry in Saudi Arabia. The study develops a theoretical framework derived from the literature on institutional theory, institutional human resource management, and upper echelons theory to explain the phenomenon of Saudisation practices. This is carried out by applying multiple case-study research to five supermarket chains operating in the Kingdom. This research design has been chosen in order to collect quantitative and qualitative evidence in order to broaden the understanding of Saudisation as a phenomenon and to understand the practices that firms engage in as they respond and react to the country's Saudisation policies.

This study aims to contribute to research at two different levels: Contextual and theoretical. Contextually, this study intends to reveal the reality of HR practices in Saudi Arabia (Boon et al., 2009; Paauwe and Boselie, 2005; Dobbin and Sutton, 1998). Furthermore, it contributes to the literature on Saudisation by offering an in-depth report on Saudisation practices as a new unit of analysis. This report will provide a detailed perspective of Saudisation practices, the rationale behind their adoption or rejection, and the evolution of these practices through time. Furthermore, the study bridges a research gap between global HR and the specific case of Saudi HR. Most of the existing research on Saudisation is more descriptive, with limited connection to general HR theories (cf. Milahi and Al-Hinai, 2000; Milahi and Wood, 2001; Al-Zalabani, 2004; and other studies presented in Chapter Two below).

Theoretically, this study contributes to the literature of HR in general, and of institutional HRM in particular, by investigating a non-Western case study in which a radical legal change has directly affected HR practices in the entire private sector. It also offers a conceptual understanding of Saudisation practices in light of the surrounding institutional environment. In addition to the academic contribution the thesis makes to the literature, this conceptual framework might assist policy-makers, companies and other active institutional actors considering the adoption, empowerment or deconstruction of Saudisation practices.

This chapter first provides the essential background and definitions to provide the reader with the necessary terminology and contextual understanding of 'Saudisation', the core subject of this study, and introduces its origins and the challenges implied by its implementation in the private sector. It then defines the research problem and explains why this research area is worth investigation. The chapter ends with an outline of the succeeding chapters of this thesis and summarises the main contributions of each chapter.

1.1. Researching Saudisation

, like many other countries, is faced with economic challenges. Some of these challenges, such as unemployment and demographic imbalances, are related to the Saudi labour market. The Saudi government has intervened to rectify these problems, with its *National Saudisation Policy (NSP)*.

The government of Saudi Arabia responded to the challenge of unemployment among Saudi nationals by taking several bold measures, including the nationalisation policy, which is the focus of this study. These initial nationalisation measures developed into what is now known as the *National Saudisation Policy (NSP)*. Smith (2003) defines Saudisation as:

"The development strategy that seeks to train Saudi workers and replace foreign workers in Saudi Arabia… [T]he government looks at Saudisation as an ultimate goal for development at the cost of short term transitional disruption."

The term "alsawada' that is commonly translated to 'Saudisation' was coined by the Saudi Arabian government in its Third Five-Year Development Plan. Shortly afterwards, the trend towards nationalisation of the workforce spread across the rest of the GCC (Al-Humaid, 2003)[2]. The Saudisation policy explains the government's efforts to introduce labour market reform. According to Al-Humaid (2003), the underlying rationale of the first Saudisation policy was to:

"Encourage the private sector to provide more opportunities for Saudis, sustain an intensive policy of work permits and residency regulations, promote labour-oriented work among nationals through the public media, engage Saudi women in the labour force, and identify appropriate mechanisms to follow up the implementation progress based on pre-set priorities." (Al-Humaid, 2003).

These general objectives of Saudisation remained in abeyance for some time (Viola, 1986). Saudisation remains a long-term objective for government agencies, public establishments and the private sector. However, many political, economic and social issues delayed the translation of the idea into actions and practical measures (Viola, 1986). Over time, the notion of Saudisation gained momentum and its general aims began to appear in policies and practical action. For instance, the Fourth and Fifth Development Plans indicated that 75 per cent of the workforce of each company had to comprise Saudi nationals. It was stated in the previous labour law issued in 1979, specifically in Articles 45 and 48, that Saudi workers should get at least 51% of the overall company wage, and that employers had to attempt to fill all vacancies with Saudis before they could be

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[2] I.e. Saudisation in Saudi Arabia, Emirisation for the United Arab Emirates, Omanisation for Oman etc.

offered to workers of other nationalities (Alzalabani, 2004; Taylor, 1978). Nevertheless, the first practical measure towards Saudisation was proposed by the Council of Manpower. This resulted in Decree 50, which compels private firms with twenty employees or more to fill all their employment vacancies with Saudis. In addition, firms are obliged to increase their proportion of Saudi employees by 5% annually or face penalties (Mellahi and Wood, 2002; Alzalabani, 2004).

The main aim of this decree was to force private sector firms to engage Saudis in their workforce. At the same time, the government worked to improve the overall employability of Saudi nationals, in particular through gradual changes in education, making it more compatible with the needs of the private sector (Al-Humaid, 2003). The government also started to offer incentives to firms to encourage Saudisation. For instance, the Human Resources Development Fund (HRDF) was established in 2000 in order to subsidise, to a significant level, the training and employment of Saudis in the private sector.

Four key incidents can be identified as pivotal in the development of Saudisation:

1) The ministerial Decree 50 which enforced Saudisation
2) The establishment of the HR Development Fund (HRDF)
3) The appointment of Dr. Ghazi Al-Qusaibi as Minister for Labour, and his subsequent introduction of new restrictions on working visas for foreign workers
4) Decree 120, which prohibited men to work as sales personnel in women's clothes shops[3].

These key incidents were used during the research interviews to capture Saudisation efforts (see Section 8.5. 'Research Limitations').

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[3] See page 252 for more details about Decree 120

As the history and background of Saudisiation has now been established, the next section will present the challenges encountered by organisations in their attempts to implement Saudisation.

1.2. The Challenges of Saudisation

Government efforts to enforce Saudisation in the private sector were pursued through several actions after the issue of Decree 50[4]. However, the policy as a whole faced several challenges from the private sector. Resistance from that sector was the result of the high labour costs involved in employing Saudis, including those for wages, training and retention. For instance, it was reported in *The Economist* in 1997 that Saudi workers were demanding six times the amount that non-Saudis would accept for the same job. This variation in wages suggests that Saudisation makes it much harder for firms to survive (*The Economist*, 1997)[5]. It has also been claimed that it is much harder to control the work of Saudis, and especially of young Saudis, because of their lack of commitment, compared with other workers (Yavas, Luqmani & Quraeshi, 1990). Private sector firms have also claimed on several occasions that Saudis have a distorted perception of work, and find it hard to accept a multicultural environment (Mellahi & Wood, 2002).

This resistance from the private sector did not prevent the government from moving ahead with its plans to bring balance to the private sector. As a result, the Consultation Council announced in 2002 a target of 70 % Saudisation within the Kingdom by the end of 2007 (Smith, 2003). Furthermore, efforts towards Saudisation since then have focused on two areas: increasing employment among Saudi nationals and reducing reliance on foreign manpower. The objectives of those two areas were to end unemployment and to reduce the country's expenditure on international labour (Smith, 2003)., Under the auspices of the Ministry of Labour and the Manpower Council, the government initiated a range

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[4] See page 18 for more details about Decree 50

[5] This comparison is more applicable to entry-level jobs more than to junior and senior management.

of programmes to facilitate Saudisation. For instance, the Ministry of Labour introduced several prizes and awards for the implementation of Saudisation in the private sector (IMF, 2003). However, as the IMF reported in 2003:

> "The authorities are aware of the pitfall of a quick 'nationalisation' of the labour force and are appropriately focusing on long-term structural solutions while taking interim steps to ease the transition to market-based systems with wages that reflect the labour productivity."

1.3. Saudisation: A Working Definition

The practical and academic discussion of Saudisation since its inception has focused on issues such as its requirements, obstacles pitfalls and proposed solutions. Other studies have also emphasised the mismatch between educational outcomes and the needs of the private sector (Mahdi, 2000). This study aims to approach Saudisation as a form of institutional change that is continually evolving within the private sector. The study introduces a new unit of analysis, named 'Saudisation practices', to categorise the responses of firms to the Saudisation policy and, more specifically, the HR-related practices employed by the supermarket industry in achieving the objectives of Saudisation. Saudisation practices could be defined as the HR practices employed by private firms to achieve the objectives of Saudisation, which are to attract, retain and capitalise on Saudi employees.

'Saudisation practices' was introduced as a new unit of analysis in order to define a part of the Saudisation phenomenon that requires greater research. The importance of this unit of analysis comes from the fact that the initial attempts at Saudisation endeavours in this sector was poorly documented. A possible explanation for this is that the attention of both professionals and academics was focused more on the obstacles facing the implementation of the new policy and the possible solutions needed for the transition period to succeed. Fifteen years

after the initiation of Saudisation, the responses of firms to the new policy became sufficiently mature to be studied as a separate unit of analysis. Some almost unnoticed alterations to HR practices had taken place in the private sector since the start of the National Saudisation Policy (NSP). These changes were never described as 'Saudisation practices'. Therefore, much of what this study refers to as 'Saudisation practices' is considered to be essentially HR practices. As a result, drawing a distinction between Saudisation practices and HR practices is crucial at this point. The distinction between the two concepts is that Saudisation practices are aspects of HR practice, policies and systems which have been modified in order to deal with the NSP. Hence, the term 'Saudisation practices' denotes the ways in which Saudi-related HR systems contrast with general HR practices.

The study of Saudisation practices in this thesis was divided into different stages. The existing literature was initially reviewed in order to understand the ways in which Saudisation practices had previously been studied, and to identify similar units of analysis. However, the review affirmed that Saudisation practices are a new unit of analysis into the literature of Saudisation. The second stage of the literature review involved the derivation of a preliminary list of Saudisation practices from the pilot interviews conducted by the researcher between December 2005 and January 2006. The original aim of these interviews was to examine the ways in which supermarket chains and other private enterprises have dealt with HR issues under the impact of the Saudisation requirements. Nevertheless, the list of practices was developed during the main data collection process between November 2007 and January 2008, through structured interviews with managers from different supermarket chains in the country. This last stage produced a list of nine Saudisation practices, as presented in Table 1.1 below.

Practice
Compensation and benefits (to attract and retain)
Training
Obtaining financial support from the HRDF
Employing women
Subcontracting jobs
Employing part-time workers
Targeting new segments of the workforce
Offering career choice and development
Mass recruitment

Table 1.1: Saudisation Practices

The term *Compensation and benefits* implies the use of compensation and benefits by firms in the attraction and retention of Saudi nationals. This practice includes strategies including progressive salary increases and personal loans, among others. On the other hand, *Training* refers to the formal training offered by firms to enable Saudis to perform their duties competently. It is important to note that while training is a general HR practice, it was found that, in the five firms examined, a high percentage of the training cost is used to train Saudi workers, while non-Saudis are assumed to increase their skills through on-the-job training. A related Saudisation practice is *Obtaining financial support from the HRDF* (Human Resources Development Fund)[6], in order to cover the high cost of training and employing Saudi nationals.

Employing women refers to the practice of attracting Saudi women as a new segment of the labour market in order to achieve a higher Saudisation percentage . *Subcontracting* is another practice used by firms to increase the percentage of Saudis employed without actually engaging more Saudis. Subcontracting is carried out by outsourcing the jobs of non-Saudis to subcontractors. A related practice is *employing part-timers*, which can increase the number of Saudis in a

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[6] The Human Resources Development Fund (HRDF or HADAF) is a government fund established to encourage the private sector to increase the representation of Saudis in their firms. The fund primarily offers financial support for the training and employment of Saudis.

firm by replacing the position of a single full-timer, so that, for example, two Saudis can be counted instead of one. This practice also deals with fluctuations in store demand for labour throughout the working day or week. Another practice is *targeting new segments of the workforce* to attract Saudis with higher commitment and stronger skills, who, in turn, will be easier to retain and capitalise on.

Career choice and development refers the practice of promoting different choices of jobs and areas of business to Saudi nationals and developing their skills, in order to increase employee retention and productivity. Finally, *mass-recruitment* refers to the process of approaching a large number of Saudis at the same time in order to secure enough number of candidates to maintain atn acceptable Saudisation percentage , and to deal with the problem of high employee turnover.

1.4. Research Questions

The general aim of this research was to examine the Saudisation practices deployed by supermarket chains to achieve the objectives of Saudisation. It therefore aimed to answer the following five research questions:

1. Which Saudisation practices are used in the supermarket industry?

2. How have these Saudisation practices developed over time?

3. Which institutional actors and/or pressures affect Saudisation practices in the industry?

4. What are the variations in Saudisation practices adopted by different supermarket chains?

5. Which organisational factors of supermarket chains affect the adoption of Saudisation practices?

1.5. Structure of Thesis

This thesis is divided into eight chapters, of which this is the first. Chapter Two presents the literature review which details important aspects of the field of human resource management (HRM) as an area of research. The literature on HR is then placed in context, with a focus on resource-dependency theory and system theory, among others. The chapter also covers the literature on international HRM and shows how context shapes practice. The chapter ends by reviewing the literature on Saudisation as a form of HR practice.

Chapter Three presents the theoretical framework for this thesis, and focuses in particular on institutional theory and institutional HRM. The chapter then traces HR institutional theory from the inception of the theory until its most recent development by the Dutch HR network. The chapter ends by presenting the theoretical framework used in the analysis and discussion chapters of this thesis.

Chapter Four discusses the methodology of the thesis. It starts by presenting the critical realism as the philosophical underpinning of the research, justifies this choice and suggests its implications. The research design employed in the study, multiple case-study design, is then discussed, alongside the reasons why this approach is appropriate for the phenomenon being discussed. The chapter ends by presenting the approach of the research to data collection and analysis, and the main advantages and limitations of this choice of methodology.

Chapter Five presents the findings and a brief analysis of the major themes found in the five case studies, a profile of each case study, and the Saudisation practices found in the five supermarket chains between 2003 and 2007. The details given in this section are then used to progress to Chapters Six and Seven, in which these findings are analysed and discussed in detail.

Chapter Six presents a second round of analysis, using thematic analysis and explanation-building techniques to provide the reader with a detailed narrative of the development of Saudisation practices in Saudi Arabia. The narrative presents the origins of Saudisation and the main stages of the industry since its inception. The narrative sheds light on the development of Saudisation practices and its overall environment. The chapter describes the debates within this process and the rationale behind the main Saudisation practices in the industry.

Chapter Seven contains the discussion in which the findings are analysed in the light of both institutional theory and the framework of the thesis. The thesis first examines Saudisation practices as a form of institutional change, basing its discussion on the literature of institutional entrepreneurship. This then leads to a discussion of Saudisation practices and their institutional environment as a major theme in institutional theory. The chapter ends by examining the causes of similarity and variation in the adoption of Saudisation practices.

The thesis ends with Chapter Eight, the conclusion, in which the main findings and conclusions of the thesis are summarised under three headings: development, Saudisation practices and the institutional field. The chapter also describes the theoretical, empirical and practical contributions of the study to research. The chapter then ends with a discussion of the research limitations and suggestions for further research.

Chapter Two: Literature Review

Since the establishment of HRM as an area of research, HR practices in the field have been undergoing continual change. This chapter presents a review of literature in HRM and HR practices, with a focus on the ways in which HR practices originated and evolved, and the factors that have affected their development. The objective of the chapter is to summarise the literature in the area and to highlight the contribution made by this research to the HRM literature. The chapter reviews the literature on Saudisation as the empirical basis for an understanding of Saudisation practices in HR within the supermarket industry. This research is concerned with deploying an in-depth, mixed methods study of five firms operating in Saudi Arabia. It considers the ways in which these five firms adopted different Saudisation practices in response to the relevant Saudisation policy.

As a starting point, a brief account is given of the methods employed in obtaining this literature review. Various electronic search engines were used to review all the relevant journal articles. The main search media and databases used included ISI Web of Knowledge in the Social Sciences, Business Source Premier, J-Store, and Sage Publications . In addition to these electronic resources, literature on the subject was sought in institutional libraries, including those of Birkbeck College and the London School of Economics, as well as the British Library. The main key words used to conduct the search were human resource management (HRM), human resources (HR) practices, contextual HRM, affirmative action, institutional HRM and Saudisation. The search was carried out through the whole length of the research, between 2005 and 2013.

In the area of unpublished Saudisation literature, the researcher used resources from the electronic databases at the offices of the Saudi Cultural Attaché in London to review masters and PhD theses in the area of HRM and Saudisation.

An extensive search was conducted at the Senate House Library of the University of London using the British Library EThOS (Electric Theses Online Service). The focus on these databases resulted from the limited amount of published literature on Saudisation, and the particular lack of books and academic articles.

2.1. Human Resources Management (HRM)

This section reviews the origin of and developments in the field of *Human Resources Management (HRM).* The review covers the definition of HRM found in the literature of organisational studies and the origins of the field since the pre-industrial era. The section presents the main academic disciplines that have influenced the development of the HR area since the inception of the profession and also highlights the development in HRM and HR practices, and the different models concerned.

The main aim of this section is to describe the historical background of HRM, and to show how HR practices and theories have developed into their current form. The focus on the origin and development of HRM is relevant to Saudisation practices, as the latter is a living example of the initiation of people management in contextually bounded environments (Mellahi, 2007). Understanding the historical development of HRM will establish, in turn, a better understanding of Saudisation practices.

2.1.1. The Origin and Development of HRM

This section focuses on two areas related to the origin and development of HRM. The first part shows how HRM in its current form originated in the Industrial Revolution and has since developed. It also considers how different schools of

management theory have influenced the development of HRM. The section ends by highlighting how HRM has developed into a profession and as an area of academic research.

The concept of employee relations, according to Dulebohn, Ferris et al. (1995), is rooted in the Industrial Revolution, when the commercial economy started to replace the agricultural one. The area of employee relations developed rapidly with industrial advancement and the rise of the factory system that provided a place of production where the workforce was required to achieve business targets. This new factory system led to domination by industrial and manufacturing entities, and created the new class of permanent workers and job seekers. This established a more rational division of work and desired skill sets. These radical changes produced a new set of personnel practices that treated workers largely as commodities or as an input in the production cycle. Consequently, the new workplace required the hiring of supervisors and managers, including foremen and line managers, to organise the duties of employees. These foremen were responsible at that time for HR functions including hiring, training and wage handling.

The initiation of modern personnel practices took place as a result of radical changes in labour market structure and the working environment. This direct connection between organisational practices and the constantly changing environment can be seen in past and present HR practices. From then on, with the rise of large-scale corporations which required semi-skilled and unskilled workers to operate assembly lines, the focus shifted from workers to machines and production technology. With the continuation of the traditional factory management style of using foremen to manage workers, and the demanding nature of workloads, new problems started to appear, including low productivity, high turnover, inefficient operations and conflicts between workers and management (Dulebohn et al., 1995). At a national level, strikes increased, even though

workers were not yet unionised, This caused more tension between workers and management. This pressure was shortly translated into a drastic growth in trade union membership, which was ignored by the majority of employers.

Despite improvements in employee relations, the field of HRM could be said to begin at the time of World War I. The topic was shaped by the impact of several ideas, disciplines and events. The first was scientific management (SM). SM, as a school of thought, came about as a way of resolving employee problems, especially the problem of efficiency. In an essay published in 1911[7], Frederick W. Taylor discussed issues related to employee management such as job design and training. He stated that:

> "The principal objective of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee … [M]aximum prosperity for each employee means not only higher wages than are usually received by men of his class, but, of more importance still, it also means the development of each man to his state of maximum efficiency, so that he may be able to do, generally speaking, the highest grade of work for which his natural abilities fit him, and it further means giving him, when possible, this class of work to do." (Taylor, 1911)

According to Taylor, one of the main aims of the essay was:

> "To try to convince the reader that the remedy for this inefficiency lies in systematic management, rather than in searching for some unusual or extraordinary man." (Taylor, 1911)

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[7] 'The Principles of Scientific Management'

The impact of SM on HR practice was to rationalise management systems to make them more suitable for modern workplaces and factories. As predominantly advocated by engineers, SM offered a systematic approach to employee relations similar to that used for machines. The system suggested the jobs, tasks and motions of each employee in the workplace should be studied, analysed and designed to achieve the 'one best way' of carrying tasks. This new approach turned the management of employees into a time and motion process that would promote precise measures to increase efficiency. To reach this objective, functional managers were assigned to take care of HR duties in place of the foremen, which allowed for an increase in separate resources for planning, in addition to those for production tasks. This action by the advocates of SM was the unofficial beginning of the modern personnel and HR manager. In order to achieve this robustly systematic workplace, SM advocated financial incentives as the main way of increasing employee productivity.

SM was the first rational reaction to the new working conditions and the overall environment of the time. In that sense, the context played a strong enabling and constraining force in the shaping of HR practices. In spite of its role in the development of HR practices, SM was criticised for being excessively mechanical, as it dealt with employees as economic beings and made no consideration of social or psychological motives. This limitation in the SM approach allowed the *Welfare Work* movement to play a part in improving the social and working conditions of employees. Its main aim was to improve the relationship between the employee and the employer. Welfare Work advocated provisions such as housing, schools and medical care, which later became known as '*benefits*' in contemporary HRM. This movement gave birth to the job of the 'welfare officer' in firms, mediating the relationship between employees and firms, or, in other words, performing the role of the personnel administrator as described by Eilbirt (1959). These innovations assisted directly and indirectly in introducing human aspects to corporate life.

The third stage of HRM came from the discipline of industrial psychology. The main focus of this new stream was the psychological differences between workers. Its main aim was to increase the efficiency of workers through ensuring their well-being at work. It was initiated in 1913 by Hugo Munsterberg, who proposed the establishment of an applied field of study which examined employment issues such as employee testing and motivation. In 1917 the *Journal of Applied Psychology* was founded with the intention of integrating psychology and scientific management in the service of Munsterberg's concept. This project gained acceptance with the start of World War One, when psychological testing started to emerge as a successful tool to measure individual differences for employment and placement in the armed forces. According to Viteles (1932), around two million American servicemen went through these tests during the war. Meanwhile, HR practitioners in the industry made more serious use of these psychological testing tools in their own selection and placement processes.

Considering the origins of HRM and the main forces that have influenced the development of the field, it can be seen that the concept of HRM originated as a way of dealing with external and internal changes in the environment. Ideas from many other approaches and schools of thought were borrowed to assist the development of the newly introduced function in the modern corporation. Some of these approaches came from engineering backgrounds, others from the humanities. Nonetheless, the objective of all the approaches was to find the right formula for the management of a successful business through the better utilisation of human resources.

2.1.2. HRM in Saudi Arabia and the Middle East

HRM in developing countries (DC) and the Middle East (ME) has developed in a distinctive context, compared to that of Western countries (US and Europe). The literature concerning HRM in DC/ME covers the subject from various macro- and

micro- perspectives, and separates HRM practices by region, including HRM in developing countries (Budhwar and Debrah, 2001), HRM in the Middle East (Budhwar and Mellahi 2007), HRM in Muslim countries (Tayeb, 1997), HRM in the GCC (Achoui, 2009), and HRM in Saudi Arabia (Mellahi, 2007; Mellahi and Wood 2001). This collective approach to the study of Saudi HRM makes it essential to first examine the entire literature on HRM in DC and ME, in order to gain a specific understanding of Saudi HRM as a part of this topic.

The common features of HRM in the Middle East resulted from the shared cultural, institutional, political and economic characteristics of the region (c.f. Mellahi and Wood, 2001). A closer examination of the Middle Eastern environment, however, shows that these countries vary in many ways. Though culturally similar to Europe, the region has numerous languages and religions, with the majority of countries speaking Arabic and following Islam. The economic uniqueness of the situation of the Middle East and, in particular, Saudi Arabia, as a predominantly oil-producing country, comes from the low economic growth of the Middle Eastern countries compared to other developing countries in Asia, despite the region possessing 56 % of the world's oil reserves (Mellahi and Wood, 2001).

It is therefore important to note that while the countries of the Middle East all share some common characteristics, they also vary in some ways. This includes the level of government involvement in, and ownership of, major sectors. Some ME countries, including Algeria, Egypt, Tunisia, Turkey and Iran have undergone large privatisation initiatives in major sectors of their economies (Harik and Sullivan, 1992). The involvement of central government in HR development (HRD) also varies in the ME, with some countries such as those of the GCC, including Saudi Arabia, Algeria, Iran and Israel taking an active part in HRD provision (Mellahi and Budhwar 2006). On the other hand, industrial relations and trade unions vary greatly in the region: unions are organised in countries such as

Tunisia and Morocco but outlawed in other countries, including Saudi Arabia (Budhwar and Mellahi, 2007).

Budhwar and Mellahi (2007) assert that the literature on HR in the Middle East is limited compared to that for other regions of the world. This statement is equally applicable to the literature on HR in Saudi Arabia, and might reflect the relatively recent development of HRM as an area of research in the region in general and in Saudi Arabia in particular. Examples of macro-level HRM research into Saudisation can be seen in the work of Mellahi and Wood (2001), and Mellahi (2006). These two works investigate the contextual environment shaping HRM in Saudi Arabia. This contextual perspective on HRM covers the social, economic, institutional and political factors affecting HR practices in Saudi Arabia.

2.1.3. The HRM Profession

The first professional body for HR was the Boston Employment Managers Association (EMA), founded in Boston, Massachusetts in 1911. The objective of the Association was to enable managers to share their experiences and to introduce some standards to the field. It was imitated elsewhere in the major cities of the US, and by 1917 a federation of ten EMAs was formed under the National Association of Employment Managers. By 1920, around 3000 employment managers attended the first conference held by the National Association.

Given the advancements in HRM practice, together with the condition of the post-war labour market, the shortage of labour and the high level of employee turnover, employee relations emerged as a major function in workplaces, in departments equivalent in size to their finance and sales counterparts. Firms embraced personnel management as an evident solution to labour market turbulence. As a result, training courses on employee relations started to be offered by universities

and colleges, starting with Dartmouth College and moving to Harvard University, among others (Mahoney and Deckop 1986). Around the same time, the first description of personnel management was produced:

> "To direct and coordinated human relations with a view of getting the maximum production with the minimum effort (…) and with the proper regard for the genuine well-being of the workers." (Tead and Metcalf, 1920)

Various terms were also used for the profession, including personnel administration, employment administration, personnel management and administration of human resources (Dulebohn et al., 1995). These names were either used interchangeably or emphasised certain practices in particular. The variation in this terminology also indicates the evolution of the field and the rapid change that has primarily resulted from changes in the environment. Dulebohn et al. (1995) describe several stages of development of the HR field. The first is the *Human Relations Movement*, in which researchers, mainly from Harvard, combined SM, welfare work and industrial psychology in order to find the best ways of managing people. This stage lasted from around 1945 to 1960, at which point HRM was subsumed into the new discipline of *organisational behaviour*.

The second stage began in the 1930s, just before World War Two, and during the Great Depression. The economic situation led companies to lay off employees in large numbers. As a result, there was a large increase in the number of workers, both skilled and unskilled, joining unions and gaining powers of collective bargaining with employers. This substantial support for the idea of unions showed the importance of the industrial relations aspect of HRM. Moreover, the United States government came to support the idea of unionisation, leading firms to design and develop HR systems that were more equitable and balanced, in order to deal with the pressures caused by both government and unions.

The unions retained their strong position until the period after World War Two, when the introduction of new technology and globalisation began to weaken their bargaining power. The emergence of the service sector in the United States economy ended the dominance of the manufacturing sector. The Personnel Management Function was introduced in many companies, including small and medium-sized ones. This shifted the focus of HR departments from maintenance to employee-oriented work. They now offered deals to employees as individuals, as a replacement for collective bargaining. This change came with a shift in the general perception of Human Resources, ao that it was now seen as an asset and not simply as a cost for firms. At this stage, employee-relations practices aimed to strike a balance between organisational performance and employee well-being (Dulebohn et al., 1995).

As a result of the continued changes in industrial relations, union power, the level of international competition and the legal context of the 1970s, HRM developed as a differentiating feature for companies at an international level. This meant that the newly developed HRM function became strategic rather than functional, in order to deal with these changes in the environment. The new form of HRM aimed to deal with employees as individuals rather than through union representatives. These changes in the way that the role of HRM was defined made it more proactive, and, as a result, promoted HR as a business partner in organisations. This meant that HR managers were promoted to vice-president (VP) level in companies. As a result, they became responsible for handling HR policies, practices and strategies, and their underlying philosophies (Schuler and Jackson, 1987). The changes in the HRM profession reflect the level of interaction between the practical function and the environment. It also shows the level of dynamism of the profession, which cannot exist in isolation.

2.1.4. HRM as a Research Field

The evolution of the HRM field has been reflected in the development of HR as a research area focused on the study of employee management issues. HRM as a field of study led to training courses in colleges and universities from around 1915. The first full programme appeared in Dartmouth College, followed by programmes at Harvard, Columbia and elsewhere. These courses were derived both from the practical experience of HR professionals and from other existing disciplines: industrial psychology and labour economics. According to Dulebohn et al. (1995), this alignment between practice and theory lasted until 1935 when the dominance of industrial relations changed the emphasis of the training course from employee relations. This change resulted in a division in the graduates from these courses into human relations academics and personnel managers. Several HRM-related disciplines flourished in the 1960s, including organisational behaviour, industrial psychology and social psychology. These theoretical advances assisted the development of HR practices in industry. Nevertheless, these theoretical contributions were sometimes seen as being isolated from practice.

Several models are found in the literature, in which scholars attempt to conceptualise the concept of HRM. Some of these models have viewed HRM using different types of analysis that could be applied to HR practices. For instance, Boxall (1993) argued that HRM could be seen in different ways: firstly, as a set of tasks that manages employee relations with the aim of increasing employee commitment; and, secondly, as an integrated part of the strategy of the organisation. This second approach, according to Schuler, Galante et al. (1987), and Wright and McMahan, (1992), could be called *strategic human resources management* (SHRM).

Other researchers examined HRM at an analytical level. From this perspective, HRM could be studied at a micro-level, (functional-oriented), or at a macro-level, (strategy-oriented) (Mahoney and Deckop 1986; Fisher 1989; Wright and Boswell 2002). Wright and Boswell (2002) proposed a two-dimensional typology to enable researchers in the area to differentiate between HRM and SHRM. The first dimension in their typology is the level of analysis, which could be at the individual or the organisational level. The second dimension is the number of practices, whether single or multiple (see Figure 2.1 below). According to Martín-Alcázar, Romero-Fernández et al. (2008), this typology:

"tried to avoid the ambiguity of the adjective 'strategic' in the field of HRM, distinguishing between a functional perspective (individual orientation and single practice approach) and a strategic orientation (business unit/organisational level orientation and multi-practice approach)." (105)

		Number of HRM Practices	
		Multiple	*Single*
Level of Analysis	*Organisation*	Strategic HRM Industrial relations High-performance work system	Isolated functions (i.e. research aimed at demonstrating a relationship between a particular functional area and organisational performance).
	Individual	Psychological contract Employment relationship	Traditional/functional HRM Industrial/organisational psychology

Table 2.1: Two-Dimensional Typology of HR Practices (Source: Wright and Boswell, 2002)

Sundaram and Black (1992), Schuler, Dowling and De Cieri (1993) and Schuler et al. (1993), among others, then introduced an international perspective to HRM in

order to deal with the new complexities of globalisation. Ferris at el. (1999) conceptualised HRM in three dimensions: functional, strategic and international, and presented various ideas and approaches found in the Strategic Human Resources Management (SHRM) literature.

One research stream was concerned with HRM and organisational performance as a key strategic measure within companies. Research into the adoption of certain HRM practices and their effect on the results of overall organisations was led by Woodward (1965), Child and Kieser (1981), Hannan and Freeman (1977), and others. These scholars were concerned with organisational efficiency, and they principally studied the relationship between HR practice and organisational performance (e.g. Delery and Doty 1996; Guthrie 2001). Other scholars, however, were more interested in the relationship between HRM practices and the competitive environment surrounding a company. The main aim of this second stream was to examine what happens within the relationship between HR practices and business outcomes. This direction of research was pioneered by Tyack (1974), Katz and Kahn (1978), DiMaggio and Powell (1982), and others who were interested in understanding the nature of HRM and HR practices within their context (e.g. Wright and McMahan, 1992; Balkin and Bannister, 1993; Wright and Snell, 1998).

A large body of literature identified a 'universal' HRM practice that was appropriate for all organisations. Researchers proposed a handful of 'best' HRM/SHRM practices. For instance, Delaney, Lewin et al. (1989) suggested ten practices, Huselid (1995) three, and Pfeffer (1994) sixteen managerial practices that may lead to business success. Contrary to this stream of research, another school of thought believed in a contingency perspective on HRM practices, arguing that HRM practice had to 'fit' into its environment to achieve the 'ideal type' of practice that could lead to business success. This perspective suggested two levels of 'fit' that HRM practices should adopt: horizontal 'fit', achieved by

having consistent and complimentary practices and policy; and vertical 'fit', achieved by making itself suitable for the overall organisational strategy (Delery and Doty, 1996).

As the field of HRM evolved, two distinctive models of HR were developed, mainly by US academics. The first theory, or model, was 'soft' HRM, advocated by Harvard. The second was the 'hard' HRM model advocated by Michigan University (Hendry and Pettigrew, 1990). The soft HRM model focused on the human side of HRM, and was an extension of the Human Relations movement of the 1920s. This model capitalised on individual talents and followed McGregor's Theory Y, which assumed that the commitment of workers would be strong when they were provided with the right conditions. The 'soft' model additionally offers flexible and easily adopted HR practices, in order to ensure the highest levels of employee efficiency. On the other hand, the 'hard' model of HR takes a more rational approach that deals with the more mathematical concept of 'headcount resources'. The 'hard' model also emphasises the vertical fit between HR practice and organisational strategy (Truss, Gratton et al., 1997).

Many Organisational Studies researchers aimed to answer three key questions. Why do organisations function the way they do? Why do they take the forms and structures they do? What is the cause of similarity and variation between organisations? Scholars attempting to answer these questions have three main views that could explain their approaches to the study of organisations. The first is that of Max Weber, in his essay about bureaucracy, in which he argued that competitive forces pressurise organisations into working in similar ways to achieve efficiency (Weber and Parsons 1952). According to this view, rationality, or the efficiency-seeking instinct, is the motive behind any process. In competition with this view is the bounded rationality stance (March, Simon et al. 1958; Cyert and March 1963) which states that choices and decisions are made by rational actors who are constrained by limited information and personal biases. The third

view is that of the population ecology, according to which competitive forces in the environment determine the structure and practices of successful organisations (Hannan and Freeman 1977).

2.1.5. Human Resources Practice

HRM as a practical discipline of study requires practical measures to produce evidence of its value to organisations. As Ulrich (1999) suggests, three levels of analysis are needed: the practice level, the professional level, and the functional level. The HR literature on efficiency investigates HR practice in order to establish a causal relationship between individual practices, or bundles of practices, and measures of organisational performance, including turnover, accounting profits and firm market value (Huselid, 1995; Delery and Doty, 1996; Guthrie, 2001). The work of Huselid (1995) is considered to be one of the first academic attempts to move from theoretical assumptions and conventional wisdom towards an empirical investigation of the relationship between HR practice and performance. It concludes that there is a strong relationship between high performance work systems (HPWS) and both past and future performance. Huselid (1995) emphasises in his conclusion, however, that the result of the study does not necessarily suggest a causal relation between the two.

Another important early study in this direction is that of MacDuffie (1995). In his study, he investigates the data sets of 62 automotive companies from 1989 to 1990. The main distinction between this study and others is that it examines HR practices as a bundle or system. Its results support its two hypotheses. Firstly, it shows that innovative HR practices are statistically significant predictors of productivity and quality in firms. Secondly, it strongly indicates that assembly plants with flexible production systems and integrated HR practices outperform plants with traditional mass production systems in terms of both productivity and quality.

The third important study of HR practices and performance is that of Delery and Doty (1996). It examines seven key strategic HR practices from three different theoretical perspectives: universalistic, contingency and conformational. The purpose of the study was summarised by Delery and Doty (1996) as follows:

> "The purpose of this study was to articulate and test three different theoretical frameworks in strategic human resource management. According to the universalistic framework, some HR practices are universally effective. Organisations that adopt these best practices will reach higher profits. In the contingency framework, the effectiveness of individual HR practices is contingent on firm strategy. An organisation that adopts HR practices appropriate for its strategy will be more effective. Finally, in the configurationally framework there are synergistic effects among HR practices. Thus, consistency within the configuration of HR practices and between the HR practices and strategy are necessary to enhance performance." (813)

The outcome of the study indicates that process of finding appropriate strategic HR practices is far more complicated than the simple application of a universal practice. The results also emphasised the importance of aligning HR practice with business strategy, since three of the seven HR practices studied were found to be more appropriate for certain business strategies than others.

Most of these studies claim an positive relationship overall between certain HR practices and good organisational performance. However, Huselid and Becker (2000) claim that most of the existing body of work tends to lack the level of methodological rigour necessary to establish the causality of the relationship. Subsequent research has attempted to overcome this criticism. Further important work in this area was carried out by Wright et al. (2005), who aimed to examine causality in the relationship between HR practices and organisational performance

in a more rigorous manner. Their study summarises two main issues which are necessary if causality is to be established.

The first issue is control of the temporal procedure, of whichever comes first, either HR practice or organisational performance. The second issue that all alternative explanations need also to be controlled. As a starting point, they claim that meeting both conditions in survey methodology is not logically possible. However, they propose a more rigorous approach in order to obtain causality. The main measure the study took into account was the temporal procedure in which HR practices were captured at one point in time, while performance was captured four times: once in the past (-9 to −3 months), once concurrently (-3 to +3 months), and twice in the future (+3 to +9 months, and +9 to +15 months). The results of the study showed that a strong positive correlation exists between HR practices and the two rounds of future operational and financial performance. However, the correlation of HR practices with past and concurrent performance is much stronger than that with future performance. This second result raises the possibility of a reverse causality (between the causes of performance and the use of certain HR practices).

While this debate about HR practices and organisational performance is far from conclusive, it is worth mentioning Becker and Huselid's 2006 article 'Strategic human resources management: Where do we go from here?'. After discussing the developments in the literature of the previous fifteen years, the article concludes that:

> "Despite this remarkable progress, the field of SHRM may be at a crossroads. The empirical literature demonstrating that HR could influence meaningful financial outcomes was once a novel and exciting result for managers. But that time has passed. To a substantial degree, managers now "get it" and do not have to be persuaded that the quality with which they manage the workforce has

strategic impact. What they now need is help in understanding how to generate and sustain those potential returns." (921-2)

The sections above have covered the development of HRM/HR practices and their relationship with organisational performance, and have outlined the ways in which HRM evolved as an area of research, primarily in the US. This background is useful because it creates an understanding of the impetus behind the concept of HRM, but it offers only a limited account of HRM in other countries such as Europe (Brewster, HoltLarsen et al., 1992; Hiltrop, Despres et al., 1995). The next section reviews the HR literature specific to Europe.

2.1.6. European HRM

According to Gooderham, Morley et al. (2004), while the US model of HRM tends to seek 'universality' and applicability to all nations, the European model values the contextual environment of particular nations and organisations in the development of HR practices. As a result, the view of European scholars is that since there is evidence of differences between the institutional settings of North America and Europe, the HRM models on different sides of the Atlantic will also vary.

From another perspective, Sparrow and Hiltrop (1994) specify twenty different factors affecting the HRM model adopted in any country. These factors include the provision of social security and welfare; the scope of labour legislation; organisational strategy, structure and rivalry; the degree of state ownership; organisational autonomy; and the attitude towards authority. These factors come under four headings: national cultural factors; institutional factors; business structure; and national competitive advantage. Therefore, as Hiltrop, Despres and Sparrow (1995) emphasise, European institutions generally differ from US

institutions in giving less autonomy to employers, placing less stress on market processes, and seeing more value in collective bargaining and social partnership. Although this does not imply that a unified European HRM model exists per se, there is nevertheless an ongoing debate about the convergence of HRM in European countries towards a unified model and towards the US model, as a result of globalisation (Brewster, Mayrhofer et al., 2004).

The literature of European HRM offers a detailed insight into the similarities and differences between European countries as a possible way of understanding variations in their HRM practices. Scholars group European countries based on these suggested criteria. For instance, Sparrow and Hiltrop (1994) divide Europe into Latin, Central, and Nordic countries. Another view sees the 'US and UK' HRM model in contra-distinction to the 'Rhineland' model. While the former focuses only on stockholders, the latter concentrates on all shareholders (Albert, 1991). From another perspective, Due, Madsen et al. (1991) describe the UK, Ireland and the Nordic countries as a group with limited industrial relations (IR), compared to the Romano-Germanic countries (France, Germany, Italy, Belgium, Greece and the Netherlands), where the government takes an active role in IR.

This brief description of the background to European HRM and the differences between its perspectives and the equivalent US model calls into question the validity of the HRM model in non-Western nations, such as those of the Middle East, where different cultural and institutional arrangements can be seen.

2.2. Empirical Perspectives and Contextual HRM

The previous section described the origins of HRM and its development in the USA, and Europe. It further emphasised the interactions between different parts of the environment and HR practices. This section describes in detail the literature on

contextual HRM and the impact of context on HR practices. It also discusses the different theoretical perspectives employed by HRM scholars, including the cybernetic perspective, resources dependency theory, institutional theory and human dependency theory. Finally, a review of the Saudisation literature is provided in order to highlight the empirical gap in the literature and the way this study intends to fill that gap. It should be noted that a more thorough discussion of the premises of institutional theory and institutional HRM is provided in Chapter 3.

This section discusses some of the empirical work on HRM in context, and groups this work according to its focus on the internal and external factors surrounding HRM. Internal contextual factors include technology, organisational size, structure, organisation and/or industry life cycle and business strategy. External contextual factors include the legal system, social settings, labour market, political status and characteristics of the industry.

2.2.1. Internal Contextual Factors

The context within organisations plays a pivotal role in shaping HR practices. The literature shows that factors including technology, structure and organisational size are significant to the reality of HRM. This section discusses empirical research conducted on the main factors in the internal context of organisations to reflect the importance of each to HR practice.

Technology can be defined as the process of transforming input to output through a systematic routine. In that sense, technology is one of the factors that affect HRM in a variety of ways. The effect of technology on HRM was first studied by Snell and Dean (1992), and by Katzell (1994), among others. Snell and Dean (1992), for instance, used a human capital perspective to investigate the

relationship between advanced manufacturing technology (AMT), just-in-time inventory control (JIT), total quality management (TQM) and human resource management (HRM). They showed that firms using advanced manufacturing technology were more likely also to use sophisticated HR practices including selective hiring, comprehensive training and development appraisal. More recently, Bayo-Moriones et al. (2010) studied 203 Spanish firms and found that Integrated Manufacturing (IM)[8] was positively correlated with job variety, job autonomy and job interdependence in these firms.

Organisational structure is another internal factor that affects HRM, and can be defined as the allocation of tasks and responsibilities between individuals and departments. The macro-level structure ranges from local firms to international corporations. Each of these structures has a variety of implications for HRM. The empirical work of Bowen, Ledford Jr. et al. (1991) concerning its impact on employment practices suggested that firms should hire employees to fit the structure and culture of an organisation, rather than seeking workers with diverse and independent individual knowledge, skills and abilities. Many studies advocate the view that any change in structure should be met with a change in HR practices. For instance, change to the micro-level structure from individual-performance-based to team-based should be translated into changes in job analysis, assessment and socialising programmes (Klimoski and Jones, 1994).

Size of organisation is another factor that affects HRM. Empirical work in this area suggests that large organisations tend to adopt employee involvement programmes (Lawler, Mohrman et al., 1992), have more developed internal labour markets, rely less on temporary staff and tend to embrace sophisticated functional HR practices (Terpstra and Rozell, 1993; Saari, Johnson et al., 1988). However,

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[8] Integrated Manufacturing (IM) is one of the new paradigms in the field of manufacturing. IM includes different approaches that work simultaneously to achieve efficiency, flexibility and quality through the integration of production stages and functions (see Bayo-Moriones et al., 2010).

some of the literature sees organisation size as a controlling variable (e.g. Deshpande and Golhar 1994; Kotey and Slade, 2005). Greater size makes organisations more visible, and therefore they come under pressure to gain and/or maintain legitimacy. As a result, they need to develop more sophisticated HR practices (Jackson and Schuler, 1999).

The organisation and/or industry life cycle stage is another aspect of the internal context which affects HRM. Datta and Guthrie (1994) found that firms with rapid growth require the recruitment of outsider CEOs rather than insider ones. The literature also hypothesises that each stage in the life cycle of the organisation requires a different managerial role. This hypothesis has not been examined empirically, however (Jackson and Schuler, 1999). Buller and Napier (1993) found a difference in the level of integration between fast-growing firms and mature middle-sized ones. Their study suggests that fast-growing firms focus more on recruitment and selection, while mature ones concentrate on developing an internal labour market.

Business strategy is the last internal factor affecting HRM. Most of the empirical work in the literature on business strategy embraces the conceptual views on strategy of Miles and Snow (1978), and of Porter (1980, 1985)[9]. HRM scholars have investigated the relationship between business strategy and HRM from the same perspective (e.g. Schuler and Jackson, 1987; Jackson, Schuler et al., 1989). For instance, Schuler and Jackson (1987) studied the possible implications of different competitive strategies on HRM. Their study suggests that organisational strategies including cost-reduction and innovation affect the HR practices used and practised. Moreover, empirical work by Cowherd and Levine (1992) shows an association between the quality of a firm's products and its use of egalitarian pay for their employees.

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[9] Miles and Snow (1978) suggest that firms could be classified into four groups: defenders, prospectors, analysers and reactors. These classifications refer to the ways in which firms respond to the three major types of problem facing them: entrepreneurial, engineering and administrative.

2.2.2. External Contextual Factors

The external context surrounding an organisation also affects its HRM practices. Several issues in particular, such as labour market conditions and industry characteristics, have gained increased attention in empirical work. This section discusses the main empirical work in four different areas: a) the legal, social and political environment; b) labour market conditions; c) industry characteristics; and d) the national culture. The main aim of this section is to present the most significant developments in the relevant literature.

Many scholars have studied the effect of the legal, social and political environment on HR practices (e.g. Cascio, 1992; Landy, Shankster et al., 1994; Brewster et al., 1993). They have adopted institutional theory and resources dependency theory to tackle different micro- and macro-level issues in the environment. For instance, several US studies have investigated the relationship between HR practices and enforcement of the Act of Congress, tax codes and other legal regulations (c.f. Cascio, 1992). In the European context, stronger training and development practices were found in countries where organisations were obliged to allocate certain funds towards employee training and development (Brewster et al., 1993). Florkowski and Nath (1993) studied the impact of indigenous laws, transnational laws and organisational policy on HRM in multinational companies, confirming the hypothesis that organisations tend to operate in an ethnocentric manner.

More recently, Paauwe and Boselie (2003) have offered several propositions derived from institutional mechanisms (i.e. coercive, mimetic and normative) in predicting the relationship between institutional settings and HR policies and practices. This study paved the way for Boon et al. (2009) to go further and study

the concept of institutional fit, which refers to the alignment between HRM and the institutional environment. The study proposed a new typology for the different behavioural responses of firms: deviant, confirming and innovative. The empirical side of the study compared three organisations in the Netherlands and found that both the institutional setting and the active decision-making of HR managers (agency) affected the strategic response of the firm.

Labour market conditions are also studied in the empirical literature. Research in this area has considered labour market issues including unemployment levels, labour market structure and labour diversity. The outcome of the earliest empirical work suggests that when the labour supply is low, organisations use more expensive and intensive methods of recruitment. Moreover, competing labour market demands translate low labour supply into improved wages and benefits, and better working conditions for employees (Lakhani, 1988). In their comparative study of HRM in the hotel industries of Australia and Singapore, Nankervis and Debrah (1995) found that when labour is scarce, such as in Singapore, HRM focuses on strategies that ensure a sufficient flow of employees. Where labour is less scarce however, such as in Australia, HRM tends to concentrate on training and development functions.

Grimshaw (2000) investigated the impact of external labour market conditions on performance-related pay (PRP) in fifteen National Health Service (NHS) trusts in the UK. The outcome of the study suggested that external labour markets, alongside other factors, affect the adoption of PRP in the public health sector. Say et al. (2003) studied the relationship between different contextual factors and work/family HR policies in Spanish firms, and suggested that different factors, including the tightness of the labour market, are associated with the implementation by firms of work/family programmes. Fang (2009) studied the workplace response to vacancies and skill shortages in Canada, and found that employers reacted in certain ways such as focusing on short-term solutions,

flexible working schemes and increasing overtime, but did not find any evidence of a increase in wages or benefits to retain employees.

Industry characteristics have a notable effect on HRM, regardless of the nature of the industry, whether private or public, regulated or unregulated or in the service or manufacturing sectors. The literature on HRM considers the characteristics of each industry as determinants of its HR practice. For instance, Jackson and Schuler (1992) found that service-based firms shape HR practices, including employee appraisal, from a customer-oriented perspective. More recently, Datta, Guthrie et al. (2005) in their article 'Human resource management and labour productivity: does industry matter?' took the type of industry as a moderating variable in the relationship between HR practices and organisational performance, and showed that industry characteristics have a significant constant effect on organisational performance.

National culture is another important aspect of HRM studies. The literature generally compares HRM in different nations to demonstrate the role of national culture in creating variation in HRM practices (e.g. Arvey, Bhagat et al., 1991; Brewster and Tyson, 1991; Bhagat, Kedia et al., 2002). However, some of the literature has emphasised that national culture is not the only factor producing variation in forms of HRM in different countries. Other legal, economic, political, industrial relations and labour market factors also play a role in shaping the HRM of a particular nation (Jackson and Schuler, 1995).

2.3. Theoretical Perspectives on Contextual HRM

HRM has developed extensively as a broad area of research since its inception as a profession. During that time, HRM as a research area has gained a better structure with which to approach employee/employer issues. Like that of other

management disciplines, the literature on HRM started to pay more attention to the contextual environment surrounding organisations (Delery and Doty, 1996) rather than looking at the organisation in isolation. This development was shown in the numerous theoretical models that examined HR and its relationship with the external environment. The remainder of this section discusses work conducted using these theories, together with a brief evaluation of these approaches.

2.3.1. The Resource-Based View of the Firm

The main premise of the resource-based view (RBV) of a firm is that the firm has to build its strategic position using its internal resources. In other words, a firm needs to focus on its competitive advantage to make it sustainable, and to make its products hard for its competitors to imitate. RBV therefore goes beyond the traditional approach to the gaining of strategic competitive advantage by focusing on the industry environment, as suggested in the model of Porter (1985). It suggests that sustainable competitive advantage (SCA) might be achieved through resource heterogeneity and immobility, implying that such SCAs could not be acquired or imitated by other firms (Barney, 1991). Barney (1991) suggested four criteria required by a product or service if it is to ensure a sustainable competitive advantage: it should be valuable, rare, inimitable and non-substitutable.

Researchers into HRM before Barney (1991), however, also embraced the idea that HRM could be a competitive advantage. Schuler and MacMillan (1984), for example, suggested that the matrix of target and thrust could allow the HR function to become a competitive advantage for the firm. Moreover, Ulrich (1991) used some of the aspects of RBV to discuss the ways in which firms could use HR practices to obtain a sustainable competitive advantage. However, while the work of these scholars helped to establish a view of HR practices as a possible competitive advantage, it failed to fulfil the RBV criteria for an SCA.

Nevertheless, Wright, McMahan et al. (1994) discussed HRM as a source of SCA based on the four previously mentioned criteria suggested by RBV. Their article concludes that:

> "Human resources always are a *potential* source of sustained competitive advantage. However, because human resources are characterized by causal ambiguity, social complexity and unique historical conditions, not all firms can successfully develop human resources as a sustained competitive advantage through imitating the HR practices of firms that have successfully developed human resources." (322)

The same criticism could be extended to Saudisation practices. While practices that have proved successful are usually imitated by other competitive organisations, the accumulated experience of managing the Saudisation process is that, to some extent, it has provided a competitive advantage for the pioneering companies.

2.3.2. The Cybernetic System Perspective

The cybernetic system perspective, in general, sees managerial functions as part of a system (either closed or open). The behavioural perspective is a good example of a closed system in which internal elements interact in isolation from the external environment to create certain outcomes, as opposed to an open system, in which internal and external elements interact to produce outcomes (Katz and Khan, 1978).

One example of the closed system theory used in HRM is the behavioural perspective, an important model employed in HRM. It suggests that employee

behaviour mediates between strategy and organisational performance. Therefore, HR practices essentially exist in a closed system that controls human behaviour. Many scholars have employed this theoretical perspective: for instance, Schuler et al. (1987) employed Porter's (1980) model to study the different strategies of firms in order to find the behaviours required to make those strategies work. The study concluded that HR practices are alternatives that should be carefully selected by HR executives to promote the most efficient behaviours; they should be aligned with firm strategy, and should be compatible with others (as a set of practices). Miles and Snow (1984) and Schuler (1992) also suggest that specific HR practices can produce the behaviours required to implement an organisation's strategic choices.

However Wright and McMahan (1999) expressed some concerns about the behaviour perspective. The hypothesised relationship between HR practices and employee behaviour needs to be tested and proven through the investigation of specific HR practices and their relationship to the desired behaviours. Moreover, despite its potential, the model is insufficient to investigate Saudisation practices, because it does not account for changes in the external environment.

The open system therefore provides the missing link in the behavioural perspective, as it considers the external factors surrounding the organisations. Mowday (1984) pioneered the use of the open system model in HR when he studied employee turnover and the use of different programmes to manage the output of the process. However, the work of Wright and Snell (1991) looked at the HR system as a whole and showed how HR competencies as an input could lead to better performance and employee satisfaction as an output. In their paper, Wright and Snell (1991) discussed the HR system thoroughly, starting with HR competencies management, moving on to behaviour management, and concluding with the ways in which HR practices should be coordinated.

‚Snell (1992) introduced the 'control theory', a hybrid model derived from the cybernetic system in order to complement the behaviour perspective. In Snell's (1992) view, the behaviour perspective assumes wrongly that managers have a clear understanding of what is their employees require to achieve organisational strategies. Snell therefore introduced the concept of control through 'administrative information', to mediate the relationship between HR practice and organisational strategy. The purpose of this process is to control competencies (through selection and training) and behaviours and output (through behaviour/output-based appraisals and reward systems). However, like the behavioural perspective, the theory has not yet been used to analyse HR issues in general and Saudisation practices in particular. This is mainly due to the lack of a defined theoretical model for investigation.

2.3.3. Human Capital Theory

Another contextual theoretical framework employed in HR is Human Capital Theory (HCT). HCT suggests that humans have production capabilities with economic value derived from their skills, experience and knowledge. However, this human capital value is bounded by human cooperation, and the HR function aims to utilise this potential value and increase the return on investment (Flamholtz and Lacey, 1981; Cascio, 1991). Therefore, in this view, all HR decisions and choices should be evaluated according to the value they generate (Tsang, Rumberger et al., 1991). Contextual factors including technology, unions and the labour market are found to be important in an evaluation of human capital choices (Boudreau and Berger, 1985). This theory has been used to investigate training and development in Saudi Arabia and the way they affect the employability of Saudis (e.g. Bosbait, 2003). Nevertheless, the contextual perspective in this model has a limited application, which tends to underestimate the legal and social aspects that shape HR practices.

2.3.4. Resource Dependency Theory

Resource dependency theory derives from the attempt of Pfeffer and his colleagues to explain HR practices through an understanding of the organisational context (Pfeffer and Salancik, 1978; Pfeffer and Langton, 1988). The theory assumes that organisations depend on certain valuable resources including money, technology, skills. Since these resources are scarce, gaining power over these resources makes entities (agencies, departments and others) increase in strength compared to their competitors.

The early study of Pfeffer and Moore (1980) shows that the level of strength in university departments (in terms of scarce resources) determines their budget allocation, regardless of the human resources rationale. Moreover, Pfeffer and Cohen (1984) found in their study of the determinants of internal job sourcing in organisations that non-unionised firms tend to have a stronger reliance on an internal labour market than unionised ones. As a result, they hypothesised that the motive behind this form of job sourcing is an avoidance of unionisation. They emphasised that HR practices in the cases studied were more the result of political actions and were not necessarily rational strategic decisions. Other researchers took this theory further, arguing that selection and training are alternative ways of providing the firm with the required competences and skills, rather than the other way round (Wright and Snell, 1991). Wright and McMahan (1999) described another case from Eastern Europe that shows how the HR function has lost respect and value since the collapse of communism. According to HR professionals in these countries, the change in the labour market to a high level of unemployment made employees less scarce as a resource, which as a result affected the whole position of the HR function in organisations. Change resulted, therefore, not from the rationale of the HR function, but rather from alterations in the labour market and in politics.

2.3.5. Institutional Theory

Resource dependency theory leads to a related management theory, institutional theory. Institutional theory is an analgam of organisational studies and sociology. and states that many structures and forms in organisations result from the way in which these firms conform to socially constructive reality in order to attain legitimacy (Meyer and Rowan, 1977). DiMaggio and Powell (1983) identified three mechanisms of institutional change in organisations: coercive, mimetic and normative. These mechanisms were further developed by Scott (1995-2008) to produce what are known as the three institutionalisation pillars/carriers.

Many scholars have used institutional theory in HRM (e.g. Eisenhardt, 1988; Scott and Meyer, 1994; Gooderham, Nordhaug et al., 1999; Paauwe and Boselie, 2003; Boon, Paauwe et al., 2009). In the most recent development, a group of academics from the Netherlands founded the Dutch HR Network, with the aim of investigating HRM and performance issues from a contextual perspective, and in particular by using the premises of institutional theory.

An earlier article of Paauwe and Boselie (2003) made general propositions about the relation between the institutional setting and the homogeneity of HR practice. Prime institutional actors such as external consultants, professional bodies, and legislators at both national and international level are assumed to be shaping HR practice in the environment. For instance, external consultants affect HR frameworks within firms, while professional bodies formulate education and training in industries. Moreover, legislators force firms to follow certain practices, forms and structures. Resource dependency theory and institutional theory were synthesised in order to understand and predict organisational responses to institutional pressure (c.f. Oliver, 1991).

This theoretical perspective is potentially, therefore, a very effective way of investigating Saudisation and Saudisation practices. This is because the theory pays balanced attention to all the different aspects of the internal and external environment, including the legal, social and professional. This could be useful when studying a phenomenon that derives from a change in the legal environment. Therefore, discussion of this theory will form the main part of the next chapter.

2.4. Saudisation Practices and HRM

The previous sections described progress in three main area of literature: HRM, HR practices and contextual HRM. This section reviews the literature on Saudisation and Saudisation practices, and forms the empirical side of this thesis. This review aims to investigate progress in research and the relationship between Saudisation and HRM literature. The section covers both the descriptive and theory-based literature on Saudisation, and will include a critical assessment of individual research in this area.

Since the concept of Saudisation was first proposed, government agencies, the private sector and academics have conducted research into it from various perspectives. However, most of the literature and research in the area has been either descriptive (Mellahi and Al-Hinai 2000) or unpublished (e.g. Bosbait, 2003; Al-Thobyany, 2007; Al-Shammari, 2009). The character of this literature has made Saudisation research less accessible to researchers and prevented Saudisation from being discussed in academic circles. Nevertheless, the area has moved forward recently through the publication of research in established academic journals such as the *International Journal of Human Resource Management*, the *Journal of Vocational Education and Training*, *Middle Eastern Studies* and *Human Resource Development International* (Mellahi and Al-Hinai, 2000; Al-Dosary and Rahman, 2005; Mellahi, 2007). The following section covers both the descriptive and theory-based literature of Saudisation.

2.4.1. Descriptive Literature

This section covers the published descriptive literature about Saudisation from an HRM perspective, and discusses the main features and outcomes of each study. It is important to note here that Saudisation as a policy is usually associated with a range of related issues including human resources management, reducing unemployment, the labour market and education. This close connection makes it impossible to distinguish Saudisation from these related issues.

Mellahi and Al-Hinai (2000) investigated general aspects of local workers in two Gulf Cooperation Countries (GCC). The advantage of this approach is that it provides a comparison between two countries which share a common context. According to this article, the factors that triggered 'localisation'[10] were the sharp decline in oil prices in the mid-1980s, an increase in unemployment in the region, and imbalances in the labour market, with Saudis concentrated in the saturated public sector. The governments of these GCC states took action to rectify these problems. However, the article argues that five issues were key to hindering localisation in the GCC. The first is the influx of cheap foreign workers to the country. The second factor is that foreigners are reported to be easier to control and discipline. Thirdly, locals (i.e. Saudis and Omanis) find it harder to integrate into diverse workplaces than non-locals. Fourthly, well-paid public sector jobs and the accompanying job security are found to be diverting locals away from the private sector. The fifth and final factor is the general social attitude of local youngsters to the private sector that dissuades them from joining the sector, especially at the lower levels of the hierarchy.

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[10] The term 'localisation' is used in the literature as a more universal term to refer to Saudisation. Omanisation etc.

The empirical section of Mellahi and Al-Hinai's (2000) paper includes four questions for investigation Why are foreign workers preferred in the private sector? What qualities are needed in locals to make them more employable by the sector? What attracts some locals to work in the private sector despite its negative image? What is the private sector willing and able to do to localise the workforce?

Some conclusions may be drawn from these researchers' quantitative analysis of data obtained from a random sample of managers from both Saudi Arabia and Oman. Compared to non-locals, locals were found to be more demanding financially, but no less disciplined. Some firms proposed, controversially, that locals could make themselves more employable in the private sector by accepting lower salaries. Another quality missing from locals in the sector is the ability to integrate into a diverse workplace and to improve their English communication skills. A mismatch was found between what locals saw as attractive characteristics of the private sector, such as high salaries and good business image, and what firms were ready to offer in order to be attractive to locals, including training and development.

Mellahi and Wood (2001) examined HRM in Saudi Arabia, using a contextual premise, and suggested five different factors that affect HRM practice: the structure of the economy, the political environment, the labour market structure, the national HR development strategy and the national culture. They elaborate on the description of each factor and its main features and provide a detailed overview of HR policies and practices in both the public and the private sector. They also suggest future challenges for Saudi HRM, which include increasing the productivity of the indigenous Saudi workforce in the private sector, and managing diversity at work.

Al-Zalabani (2004) explains the situation in Saudi Arabia in terms of the labour market, industrial relations, and human resources development at a national level. The article explores the ways in which each of these affects human resources in the country. The paper's relationship with Saudisation derives from its discussion of the institutional setting and Saudi attempts to reduce unemployment among locals, the main objective of the Saudisation policy. This paper does not correlate different institutional systems; however, it provides a rich factual view of the institutional environment in Saudi Arabia.

Al-Dosary and Rahaman (2005) is one of a group of articles that articulate the cpncept of Saudisation. The paper investigates the concept through its definition and rationale, and examines government efforts to ensure its success. The paper provides brief examples of attempts by the private sector to implement Saudisation. Like other descriptive papers, the article provides a clear definition and rationale for Saudisation. It also lists insightful facts and figures on Saudisation by illustrating government Saudisation initiatives, different approaches towards Saudisation and the overall consequences of the policy. Nevertheless, it lacks the features that would assist in replicating and extending the research further.

The next section will review the theory-based literature and its contributions to research on Saudisation.

2.4.2. Theory-Based Literature

As shown above, the majority of the literature on Saudisation is descriptive. A small number of PhD theses were also found to describe the phenomenon using a theoretical approach (e.g. Alshehry, 2009; Al-Humaid, 2003). This section will focus, however, on the theory-based literature (e.g. Bosbait, 2003; Bohaimed,

2003; Al-Taweel, 2004), in order to show how different theories have been used to study Saudisation. The section will also reflect on the gap in the existing literature on the topic. It is important to note here that this review is not exhaustive, and is constrained by the limited accessibility of unpublished literature. Nonetheless, all the available resources in Senate House Library, University of London, the office of the Saudi Cultural Attaché in the UK[11], and EThOS (the Electric Theses Online Service of the British Library) were searched fully for this review.

Bosbait (2003), examined the school-to-work transition for Saudi youth. The study investigated the extent to which the demography, family background, education and training, and labour market awareness of young Saudis affect their level of activity in the labour market during this period of transition. The study determined which groups of Saudi youth are more likely to be unemployed at this stage in their career, by using human capital theory to investigate the value of young Saudis as human capital. The theory suggests that an individual's income varies according to the amount of investment he or she makes. Not surprisingly, the study shows that an individual's educational level reflects the chance of that person finding a job. However, training was not found to be significant to employment. Family background was also found to be affect youth employability. Some characteristics, including gender and market opportunity awareness, were found to be related to the segments of young Saudis most vulnerable to unemployment,

Al-Taweel (2004) investigated the negative attitude of private sector managers towards Saudi candidates. The thesis studied seven factors related to Saudi candidates: local education, skill level, experience, English communication skills, remuneration, discipline and performance. The study employed the theory of reasoned action (TRA) (Fishbein and Ajzen, 1975) to examine the situation in one

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[11] The Saudi Cultural Attaché holds a copy of all masters/PhD theses written by Saudi students in the UK.

hundred Saudi private sector companies, with 146 managers. The theory suggests that behaviour could be predicted based on an individual's attitude. Al-Taweel (2004) found that managers do not have negative attitudes towards the education, experience, level of English or discipline of Saudis. However, financial pressure was causing some negative attitudes among private sector managers. The thesis aimed to examine the level of cooperation between government agencies and the private sector. While its results indicate a degree of cooperation between the two parties, the managers' assessment of that cooperation does not reach a level that could fully justify favouring Saudis over others.

Al-Thobyani (2007) applied grounded theory to investigate the perceptions of teachers, staff, employers and students about the level of mismatch between the output of university Arts & Humanities (A&H) faculties and the needs of the private sector labour market (PSLM). It also investigated the methods of communication and information sharing between A&H and PSLM companies. The general result of the research suggested that there is a high level of mismatch between A&H and the PSLM, as a result of weak communication and information sharing between the two. A&H students were also found to be less competent to join th ePSLM than their counterparts from technical faculties. The study also drew attention to some underlying issues related to universities and employers. For instance, universities were criticised for not promoting job opportunities after graduation as a factor to consider when choosing a university major or field of study. Communication about extra-curricular activities was also found to be weak. On the other hand, there was a lack of awareness among employers about the courses offered by A&H faculties to students during their degree years. Finally, the thesis suggested a practical model to rectify this mismatch.

Mellahi (2007) is another important work about HRM and Saudisation. The value of this piece is its emphasis on the regulations that affect private sector HRM. It investigates the implications of the emerging legal framework on HR practice. As

Mellahi and Wood (2001) state, the study examines this topic from a contextual perspective, but more attention is paid to changes in the legal framework and their effect on HRM. It argues that changes in HR practice occur as a result of direct and indirect governmental changes in regulations. The study covers some changes in the legal framework in the country. One of the main emerging legal issues, according to Mellahi (2007), is the increasing reluctance to issue work permit visas to firms, in order to discourage the hiring of foreigners, unless it is absolutely necessary. Another legal change is the introduction of a penalty system that could ban private sector firms from operating in the country for up to five years.

From the HRM perspective, Mellahi (2007) suggested that the level of participation of companies and of their HR departments in shaping these legal changes was limited. Nevertheless, the changes affected the ways in which HR departments operated. The new HR model was found to have embedded some characteristics. For example, HR departments are becoming more consultative and sensitive to the needs of Saudi employees. Another example is the improvement in the legal rights of employees. Both examples indicate that while the private sector is becoming more diverse in terms of nationalities, it contains a problematic dual HRM arrangement that regards employees differently according to their nationality (i.e. Saudis are privileged over non-Saudis). This duality is exhibited in terms of legal rights, compensation and benefits, and overall treatment.

Al-Shammari (2009) studied the national skills formation system and its effect on Saudisation, focusing on the General Organisation for Technical Education and Vocational Training (GOTEVT), which is claimed to be the main source of skilled Saudis for the private sector. The thesis derives from the argument that the relationship between GOTEVT and the private sector is problematic, the result of heavy involvement by government in the formation of skills that do not match the dynamics and complexities of the sector. Al-Shammari (2009) poses three

questions. What are the consequences of governmental involvement in training and skills formation? Which obstacles to the implementation of Saudisation strategies are created by government agencies and private sector firms? Which factors have led to the success of Saudisation in some industries (such as banking and telecommunications)? The study employs both human capital theory (Hendry 1991) and an HRM model to conceptualise the relationship between GOTEVT and the private sector. The results contained in the thesis suggest that the shortcomings of the Saudi skills formation system is the main factor hindering Saudisation strategies. The findings of the study also indicate that the problem is the result of high government engagement and unfocused planning, regulation, financing and implementation. Nevertheless, some Saudisation success factors were revealed by an examination of some cases. The two main factors for success are that senior management strongly believe in Saudisation and in providing industry-led training that focuses on the required skill-sets.

Similar to the literature on Saudisation, most of GCC labour localisation literature approached the general phenomenon of localisation. Researchers investigated the notion of unemployment in GCC member states (e.g. Forstenlechner and Rutledge 2010), employment creation and localisation (e.g. Mellahi and Hinai 2000; Harry 2007) and others. The main aim of these papers was to establish a better understanding to labour situation, and challenges facing governments and private companies. However, other literature focused in specific countries such as Emirates (e.g. Rees *et al* 2007; Al Ali 2008; Forstenlechner *et al* 2012), Oman (e.g. Al-Lamki 2005) and others. Few researchers compared GCC countries localisation approaches (e.g. Salih 2010) to offer profounder understanding to localisation in the region. To sum that up, the overall position of GCC localisation literature reaffirms the same limitation in Saudisation literature, where research tends to be general, descriptive, and less theory-based.

2.5. Summary and Contribution to Research

This research aims to investigate HR Saudisation practices in the supermarket industry. By conducting an in-depth, mixed methods inquiry into five firms operating in Saudi Arabia, it considers how these firms have adopted different Saudisation practices as they adhered to local regulations, while also reacting to other competitive forces.

The literature review has presented and discussed three bodies of research: literature on the origins and development of HRM as a profession and as an area of research; on HRM in context; and on Saudisation. The first of these laid the foundations for the rest of the chapter by providing the related themes and models in the HRM literature and the ways in which these ideas originated and developed over time. It also showed that HRM originated in the workplace, rather than as an area of research. It also emphasised that the literature on HRM, despite its development, was driven by management and organisational theories rather than by a theory of its own. The section also reviewed the literature on HR practice and the ways in which HR practice correlates with organisational performance. This led to a discussion of so-called 'European HRM' with its strong consideration of the national context. The main conclusion of this section is that despite developments made over time, the literature was still dominated by US research. This meant that limited attention has been paid to other contexts, especially thaat of the Middle East. This was even true of studies that examined other contexts or used theories which originated in the US.

However, as a broad area of research, HRM has developed extensively since its foundation as a profession. Over time, HRM as a research area has gained a better structure with which to approach employee/employers issues. Like that of other management disciplines, the literature of HRM has started to give more consideration to the contextual environment around organisations (c.f. Delary &

Doty, 1996). This development has been exhibited in the numerous theoretical models that examined HR as a result/reaction of the system they operate within.

These contextual approaches to HRM open the way to a consideration of national and international factors, as well as the strategic and non-strategic factors that shape HR practice (c.f. Guest, 1997). However, despite the development of the literature in this important direction, the general focus of HRM research still concerns the effect of HR practices on organisational performance (Paauwe, 2004). This mainstream HRM approach, led primarily by US and UK scholars, has prevented the success of other paradigms of research (Paauwe, 2004).

Legge (1995) emphasised a focus on financial performance, as a way of distinguishing between the rhetoric and reality of HRM, while Paauwe and Richardson (1997) and Boselie (2001) urged HR scholars to examine HRM from institutional and critical perspectives. Paauwe (2004) also proposed a model of HRM that combined both the outcome and process of HRM, or, in other words, the strategic added value and the human moral values. However, despite all these calls to shift attention towards a more balanced investigation of HRM, there is a clear gap in the literature, as it does not apply a contextual perspective to HR practices. This study therefore contributes to the literature of institutional HRM mainly by considering a new non-European empirical case study. This contribution will both strengthen the existing work on institutional HRM and also add an insightful empirical input to the literature.

The last part of the chapter (Section 2.3) summarised the literature on Saudisation. The main remark about this area of research is that it is by no means fully developed academically. Despite the growth in the number of journal articles on Saudisation and its related issues, only a few studies, mainly PhD theses, were found to approach the concept from a theory-based stance. Although various

theories are employed in the study of Saudisation, there is no research which uses institutional theory when conceptualising Saudisation or Saudisation practices. Moreover, this gap in the Saudisation literature is connected to the wider empirical gap in contextual HRM, namely institutional HRM.

Therefore, drawing on its literature review, this thesis intends to contribute primarily to the empirical side of the literature by considering Saudisation practices from an institutional perspective. The next chapter elaborates on institutional HRM by considering cases from Europe and the USA. However, few if any cases are reported in the literature from the Middle Eastern or Saudi contexts. This thesis will therefore contribute to an understanding of both the concept of Saudisation practices and the ways in which they have developed in the private sector. Furthermore, it also contributes theoretically by adding the demographic composition of upper echelons theory as a detailed approach to understanding the human agency/dominant coalition as suggested by Paauwe (2004).

Chapter Three: Theory

This research aims to understand HR Saudisation practices in the supermarket industry. To this end, it draws on institutional theory to better investigate and interpret this phenomenon. This chapter presents five relevant concepts from theory: the idea of institution, the concept of legitimacy and isomorphism, Scott's framework of institutionalisation, Oliver's framework of organisational responses, and institutional change. The main aim of this discussion is to show the value added by employing institutional theory to the study of HRM. The chapter covers another area of theory that includes empirical work on affirmative action and national policy changes and their impact on HRM from an institutional perspective. The focus in this area is on the legal aspects of the institutional environment and the ways in which national policies influence HR practices.

The third part of the chapter presents work on institutional HRM, describing early studies relating to the use of institutional theory in HR followed by recent work on institutional HRM and developments in the area since the establishment of the Dutch HR Network (DHRN). The fourth and final section of this chapter outlines the theoretical framework of the thesis, a hybrid of institutional theory models including institutional pillars, organisational responses to pressure and institutional HRM. The chapter ends by reflecting on a few related secondary theories used in the hybrid framework, including upper echelons theory.

3.1. Institutional Theory

Institutional theory is a contextual perspective on organisational and HRM phenomena. It originated in the 1880s when economists including Carl Menger and Thorstein Veblen pioneered the idea of going beyond individual economic behaviour to achieve an understanding of social institutional forces. Institutional

theory formed part of various fields of study, in particular political science and sociology. However, it was not until the 1940s that institutional theory appeared in the literature of organisational studies (Scott, 2008).

Various ideas have been proposed by institutional theorists since the inception of the theory. This chapter discusses concepts related to the analytical framework of this research, and focuses on Scott's institutional pillars and carriers framework (1995, 2001, 2008) and Oliver's institutional model (1991) as being the most relevant ideas to its research questions. This section will also include the underlying ideas about institutional legitimacy and institutional isomorphism which are the major premises behind Scott and Oliver's models.

3.1.1. Institutions and Institutional Theory

It is important to begin by considering how the concept of *institution* has been defined by institutional theorists. For instance, North in 'Institutions, institutional change and economic performance' states that:

> Institutions are the rules of the game in the society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentive in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change (North, 1990:3)

Scott (2008) defined the *institution* in a more instrumental manner as a set of "regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life" (Scott, 2008:48). While both definitions might imply that stability is one of the

outcomes of an institution's existence, it has been stated in a vast range of institutional theory literature that stability is not a permanent feature of institutions. For instance, North (1990) states, immediately after the definition quoted above, that:

> "Stability of institutions is in no way against the fact that they are changing. From conventions, codes of conduct, and norms and behaviours to statute law, and common law and contracts between individuals, institutions are evolving and, therefore, are continually altering the choices available to us. The changes at the margin may be so slow and glacial in character that we have to stand back as historians to perceive them, although we live in a world where the rapidity of institutional change is very apparent". (North, 1990:6)

The idea of stability in institutions needs also to be juxtaposed with concepts of legitimacy and isomorphism, which will be considered next.

3.1.2. Legitimacy and Isomorphism

According to institutional theorists, while organisations seek efficiency, they also search for legitimacy, which is obtained through the adoption of expected forms and practices by the institutional environment (Scott, 1987; Zucker, 1987). In other words, as defined by Suchman (1995):

> Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions (574)

Meyer and Rowan (1977) argue that legitimacy is obtained in order to turn organisational forms into 'rationalised myths'. This suggests that organisations enact certain practices in order to adhere to given myths. Institutional theorists view legitimacy as:

> A condition reflecting perceived consonance with relevant rules and laws, normative support, or alignment with the culture-cognitive framework. Moreover, unlike material resources or technical information, legitimacy is not an input to be combined or transformed to produce some new and different output but a symbolic value to be displayed in a manner such that it is visible to outsiders. (Scott, 2008:59-60).

Suchman (1995) distinguished between a variety of organisational legitimacies in his paper 'Managing Legitimacy', suggesting that organisational legitimacies could be pragmatic, moral or cognitive. *Pragmatic legitimacy* is based on self-interest and direct exchange between an organisation and its audience, at political, social or economic levels. *Moral legitimacy*, on the other hand, mainly derives from a sense of 'the right thing to do'. This idea of right does not imply that seeking this type of legitimacy is necessarily interest-free, since organisations argue that they are self-serving bodies. Nevertheless, the practices in this category rely heavily on welfare justifications. Finally, *cognitive legitimacy* is obtained through being comprehensive in every endeavour and by conforming to what is taken for granted in the environment. Suchman (1995) stated that "this kind of approach represents both the most subtle and the most powerful source of legitimacy identified to date" (583). The result of seeking legitimacy is that organisations conform to industry norms without questioning their business viability.

DiMaggio and Powell (1983) differentiate between two types of isomorphism. The first considers competition to be the main motive for diffusing strategies and

direction; this is *competitive isomorphism* (cf. Hannan and Freeman, 1977). The other type is *institutional isomorphism*, in which organisations are connected with all (institutional) organisations in the environment. In *The Iron Cage Revisited*, DiMaggio and Powell (1983:150) write that "The concept of institutional isomorphism is a useful tool for understanding the politics and ceremony that pervade much modern organisational life". They further identified three mechanisms in which institutional isomorphism occur. They include:

1) *Coercive isomorphism*, which stems from political influence and the problem of legitimacy

2) *Mimetic isomorphism*, which results from standard responses to uncertainty

3) *Normative isomorphism*, associated with professionalisation (150).

Coercive isomorphism occurs in many cases as a direct response to government mandates and regulations. These formal and informal pressures are exerted by organisations and other parties on which the organisation depends. *Mimetic isomorphism*, however, takes place when organisations try to imitate other similar organisations that they perceive to be more legitimate or successful. This mimetic behaviour results from the challenges facing organisations during ambiguous situations and unclear solutions. *Normative pressure* is imposed by professional bodies around the organisational field. These professional agencies are influenced by two main factors; formal training and/or education, and the growth of professional associations in the field (DiMaggio and Powell, 1983).

Meyer and Rowan (1977) described two problems that may face organisations in their pursuit of legitimacy through the adoption of practices. The first comes when the rationalised myth does not make sufficient sense to the organisation, while the second appears when the institutional rational myth competes with another internal myth. When one (or both) of these two problems occur, organisations tend

to 'decouple'. "By decoupling, organisations achieve legitimacy through espoused action but remain efficient or consistent through actual action, which enhances their survival prospects. Organisations that decouple avoid close inspections because it may potentially expose them as frauds. Consequently, organisations avoid scrutiny or at least control the process of scrutiny." (Boxenbaum and Jonsson, 2008).

This inclination of some organisations to diverge or decouple from expected practices questions the predictive factors that lead organisations not to conform to institutional pressures. The work of Oliver (1991) elaborates on this point. Oliver's model combines institutional theory with resources dependency theory to suggest five different factors that predict an organisation's strategic response to institutional pressure. This model will be discussed in more detail in Section 3.1.4. Another founding concept of this thesis is now discussed, however: Scott's framework of institutionalisation.

3.1.3. Scott's Three Pillars of Institutions

Scott combined DiMaggio and Powell's 'isomorphic mechanisms' with other institutional ideas to develop his three pillars of institutional (Scott, 1995; Scott, 2001; Scott, 2008). This framework was first published in his 1995 work *Institutions and Organisations*. This review will consider the framework in its most recent development (i.e. Scott, 2008). The framework, as shown in Table 3.1, consists of three pillars or institutional elements: regulative, normative and cultural-cognitive. These pillars are connected directly to DiMaggio and Powell's three isomorphic mechanisms: coercive, normative and mimetic. In his framework, Scott synthesised the work of a wider range of institutional theorists in sociology and organisational studies, and suggested four different vehicles

('carriers') that could carry institutional elements ('pillars'): symbolic systems, relational systems, routines and artifacts.

It is important to mention that, in Scott's view, these three institutional pillars and carriers are interdependent and can be approached collectively. Distinguishing between these pillars and carriers would add value to our understanding of the institutional environment. Nevertheless, some scholars refuse to make distinctions in such a 'choice-forcing' manner in order to observe a complex inter-related reality (cf. Hirsch, 1997). However, Scott (2008) affirms that "more progress will be made at this juncture by distinguishing among several component elements, and identifying the different underlying assumptions, mechanisms, and indicators" (51).

As Table 3.1 demonstrates, the first pillar in Scott's framework is the *regulative pillar,* which has been regarded as an important element of any institutional setting. This pillar applies a coercive mechanism to shape organisational practice. The normal sequence of isomorphism through this pillar starts by establishing rules and regulations, then inspects for compliance, and finally enforces reward and punishment systems. As a result, organisations respond by conforming to the new rules and regulations, or occasionally by diverting from common practices.

	Regulative	**Normative**	**Culture-Cognitive**
Basis of Compliance	Expedience	Social obligation	Taken for grantedness Shared understanding
Basis of Order	Regulative rules	Binding expectations	Constitutive schemes
Mechanism	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules Laws Sanctions	Certification Accreditation	Shared logics of action
Basis for Legitimacy	Legally sanctioned	Morally governed	Comprehensible Recognisable Culturally supported

Table 3.1: Scott's Three Pillars of Institutions (Source: Scott, 2008)

The second pillar is the *normative pillar*, which was introduced as a prescriptive and normative rule into organisations. The institutional normative system consists, therefore, of a set of *values* and *norms* that specify 'the conception of the preferred' and 'how things should be done'. In short, norms are the means that lead to the desirable normative end (i.e. value). Scholars consider these normative forces to be both constraining and enabling factors in social life. This normative pillar is mainly empowered by the normative mechanisms of professional bodies through accreditation and certification. As a result, organisations tend to react in different ways based on their social and institutional position and according to whether they follow the norms. The social position of the organisation may therefore assist in predicting organisational response.

The third element in Scott's institutionalisation framework is the *culture-cognitive pillar.* This pillar considers the cognitive dimension of actors and their subjective interpretation of a situation. Variation in the cognitive system results in a further variation in evaluation, judgment and decision making. According to Scott's framework, this cognitive aspect is constrained by the cultural system which is a collective symbol imposing common beliefs and shared logics of action. However, he also emphasises that, while culture is a unitary, consistent system, beliefs and concepts within a single culture often vary, or even compete, especially in times of social and institutional change. Therefore, while most organisations mimic taken-for-granted routines, some tend to disobey cultural norms. As a result, these divergent organisations are positioned somewhere within cultural templates and classifications, which in turn decides their social position (i.e. role).

According to Scott (2008), legitimacy has different bases in each of the three pillars. For instance, organisations have to operate in compliance with regulations in order to be legitimate from a regulative perspective, or they will be penalised. However, on the normative side, organisations have a moral obligation to adhere

to the values and norms of the profession. In return for this conformity, organisations are intrinsically and extrinsically rewarded. This base of legitimacy makes these norms and values more internalised in organisations than regulative-based practices.

3.1.4. Oliver's Framework of Organisational Response

The other important contribution is Oliver's framework (1991) of organisational response to institutional pressure, which proposes a model for the investigation of the strategic response to institutional processes, and of the reasons for variation in a firm's response to institutional pressures. The model claims that five different responses are exhibited in organisations: they may acquiesce, compromise, avoid, defy and manipulate (see Ttable 3.2).

Strategies	Tactics	Examples
Acquiesce	Habit	Following invisible, taken-for-granted norms
	Imitate	Mimicking institutional models
	Comply	Obeying rules and accepting norms
Compromise	Balance	Balancing the expectations of multiple constituents
	Pacify	Placating and accommodating institutional elements
	Bargain	Negotiating with institutional stakeholders
Avoid	Conceal	Disguising nonconformity
	Buffer	Loosening institutional attachments
	Escape	Changing goals, activities or domains
Defy	Dismiss	Ignoring explicit norms and values
	Challenge	Contesting rules and requirements
	Attack	Assaulting the sources of institutional pressure
Manipulate	Co-opt	Importing influential constituents
	Influence	Shaping values and criteria
	Control	Dominating institutional constituents and processes

Table 3.2: Strategic Responses to Institutional Processes (Source: Oliver, 1991)

These responses may be displayed in different tactics (forms). According to the model, these responses can be predicted using five factors related to the

institutional setting: cause (of conformity to the pressure), constituents (who exist in the institutional field), contents (of the practice and its nature), control (applied by the constituents) and context (of the institutional field) (see Table 3.3).

Institutional Factor	Research Question	Predictive Dimensions
Cause	Why is the organisation being pressured to conform to institutional rules or expectations?	Legitimacy or social fitness Efficiency or economic fitness
Constituents	Who is exerting institutional pressures on the organisation?	Multiplicity of constituent demands Dependence on institutional constituents
Content	To what norms or requirements is the organisation being pressured to conform?	Consistency with organisational goals Discretionary constraints imposed on the organisation
Control	How or by what means are the institutional pressures being exerted?	Legal coercion or enforcement Voluntary diffusion of norms
Context	What is the environmental context within which institutional pressures are being exerted?	Environmental uncertainty Environmental interconnectedness

Table 3.3: Antecedents of Strategic Responses (Source: Oliver, 1991)

Organisations will respond to institutional pressures differently, according to the degree of these factors (high, moderate and low) (see Table 3.4). Oliver's 1991 article is considered to be a significant theoretical contribution to the topic. This meant, however, that neither the model nor the ten hypotheses of the paper were tested in the paper.

Nevertheless, the main aim of Oliver's model was to define the variables of the institutional field, as a development in the analysis of different contextual settings. Table 3.4, based on Oliver's (1991) model, describes the predictive factors that can determine organisational responses to institutional pressures.

Predictive Factor	Strategic Responses				
	Acquiesce	Compromise	Avoid	Defy	Manipulate
Cause					
Legitimacy	High	Low	Low	Low	Low
Efficiency	High	Low	Low	Low	Low
Constituents					
Multiplicity	Low	High	High	High	High
Dependence	High	High	Moderate	Low	Low
Content					
Consistency	High	Moderate	Moderate	Low	Low
Constraint	Low	Moderate	High	High	High
Control					
Coercion	High	Moderate	Moderate	Low	Low
Diffusion	High	High	Moderate	Low	Low
Context					
Uncertainty	High	High	High	Low	Low
Interconnectedness	High	High	Moderate	Low	Low

Table 3.4: Response Prediction Table - Institutional Antecedents and Predicted Strategic Responses (Source: Oliver, 1991)

However, Goodstein (1994) empirically applies Oliver's model by examining the institutional pressures that affect variation in employers' involvement in work-family issues. The study gives eleven hypotheses derived from the five institutional predicting factors of Oliver's model. The hypothesis covers issues (independent variables) such as organisational size (a cause factor in Oliver's model); organisational dependency on women and parents (constitutions), nature or the sector; private or public (content); the number of organisations that participate in the practice (control); and the perceived cost and benefits of childcare (context). In addition, the study proposed a framework that rearranged Oliver's (1991) table predicting strategic responses. In his empirical work, Goodstein utilises data from a survey of 3,225 public and private establishments, conducted by the Washington State Employment Security Department (1994).

The general outcome of Goodstein's study (1994) supported the view that the responses of firms are not uniform, but rather vary according to the institutional situation in which each firm exists; and found that size, the presence of women,

the diffusion of practices in the industry and other technical forces affected these varying responses. One of the major contributions of this paper is its examination of Oliver's 1991 model and its addition to it of a variety of technical and institutional forces. However, the context of the study was more socio-technical than legal, and therefore the constituent factor was merely the social pressure exerted on firms by women and parents rather than by government. This framework of institutional theory shows the general approach taken to transform theory into analytical tools. The next two sections will describe the ways in which this framework and others have been employed to investigate HRM-related phenomena.

3.1.5. Greenwood's Stages of Institutional Change

Another important institutional framework related to this research is the stages of institutional change outlined by Greenwood et al. (2002). Their framework is an extension of DiMaggio and Powell's (1983) concept of the organisational field. They define the organisational field as:

> "sets of organisations that, in the aggregate, constitute an area of institutional life; key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services or products." (148-9)

An organisational field repeatedly interacts with others in order to reach isomorphic status, leading to stability of its constructed reality. However, while organisational fields might appear to be steady and stable, Greenwood et al. (2002) suggest that isomorphic stability is rather misleading. The framework therefore comes to emphasise the non-isomorphic side of institutional change, where jolts cause organisations to be diverted from constructed reality.

Greenwood et al.'s framework (2002) claims that institutional change goes through six stages (presented in Figure 3.1). The first stage is 'precipitating jolts'. The second stage is 'deinstitutionalisation', characterised by the emergence of new players who deploy resources to change the existing institution. The third stage, 'preinstitutionalisation', is therefore an effect of these new players, when they introduce independent innovations to the field. The fourth stage of institutional change is ' theorisation', defined by Strang and Meyer (1993) as:

"the self-conscious development and specification of abstract categories and the formulation of patterned relationships such as chains of cause and effect. Without general models, cultural categories are less likely to arise and gain force. And without such models, the real diversity of social life is likely to seem as meaningful as are parallelisms." (492)

As Strang and Meyer (1993) emphasise, diffusion occurs more rapidly when the process involves a 'global theorising' and has higher levels of complexity and abstraction.

According to Greenwood et al. (2002), the theorising stages lead over time to the fifth stage of institutional change, 'diffusion'. In this stage, new practices are adopted to a greater extent through moral and pragmatic legitimacy. The final stage is 'reinstitutionalisation', in which practices are adopted to such an extent that they become taken for granted. This is referred to as the 'cognitive legitimacy' stage.
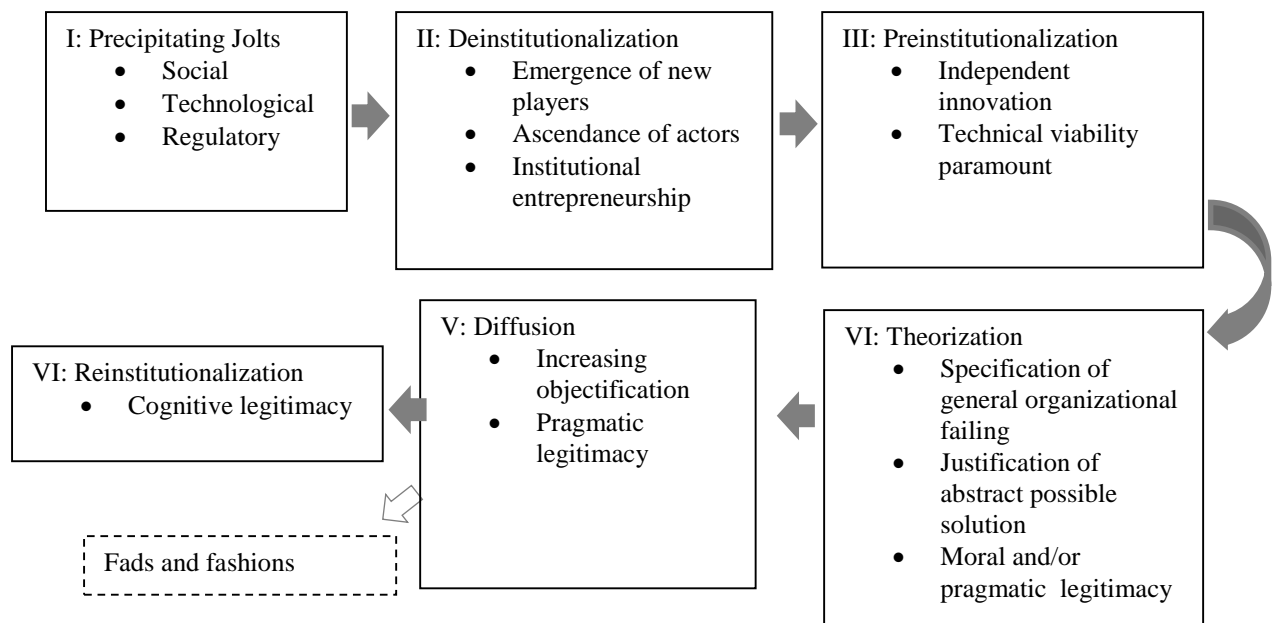
Figure 3.1: Stages of Institutional Change

3.2. HRM from an Institutional Perspective

This section covers the main work on HRM from an institutional perspective. The empirical work includes early work on HRM and affirmative action (e.g. Edelman 1992; Sutton 1994; Dobbin and Sutton 1998), together with the work of HR scholars who have employed institutional theory to investigate HR issues including compensation practices, and organisational involvement in work-family programs, (e.g. Eisenhardt, 1988; Gooderham, 1999).

3.2.1. Affirmative Action, National Policy and HR Practice

The first body of research that used institutional theory to study an HR-related matter was the work on Affirmative Action/National Polices (AA/NP) and its relationship to HR practices in the US. Such studies followed the work of Selznick et al. (1969) and Meyer and Rowan (1977) in order to investigate the ways in which AA/NP has influenced organisational practices (in many cases HR-related practices) e.g. Sutton *et al.* (1994). This section defines the concept of Affirmative Action and the assumed relationship between AA/NP and HR practices. It presents the main work in this sphere, including the main features, themes, and theoretical and empirical contributions to the topic. It is important to stress here that the main aim of this review is not to be exhaustive, but to show progress in the area and the ways in which the premises of institutional theory have been translated into empirical measures.

As a starting point, Affirmative Action is a national policy that aims to support ethnic minorities, different genders, disadvantaged segments of society or the indigenous inhabitants to achieve equality. As the definition suggests, affirmative actions are designed to balance the demography of education, the labour market or the national economy as a whole (Sowell, 2004). Despite the ongoing debate about the ethics and efficiency of affirmative action (c.f. McHarg, 2006), Sowell (2004) argues that it is still widely used and can be observed in many countries, including the US, Canada and South Africa. As an international phenomenon, affirmative actions exist to serve various purposes and ends according to the contextual settings that surround them. Affirmative action has therefore been discussed from a perceptive of many disciplines, including the legal, sociological, economical, philosophical and psychological (Crosby, Iyer et al., 2006).

Different forms of affirmative action are related to HR issues of employment, equal opportunity, diversity management, disability and anti-discrimination programmes (e.g. Kelly and Dobbin, 1998; Klarsfeld, 2009). A few sociologists[12] in the US have studied the impact of AA/NP on HR practices (e.g. Edelman 1992, Sutton 1994; Dobbin and Sutton 1998). Their work represents an extension of the early institutional ideas of Selznick (1969) and the newer institutionalism of Meyer and Rowan (1977), among others. The work of this group shares some common features, including their approach to AA/NP and policy change as a regulatory force in the environment. Moreover, many papers in this area employed the 'event-history analysis' method to study longitudinal data sets covering large numbers of organisations in the USA (e.g. Sutton, 1994; Dobbin and Sutton, 1998; Kelly and Dobbin, 1998).

This stream of research also takes two main premises into account. The first is from Selznick (1969), who suggested that structure and practice are retained in organisations even when the initiating pressures no longer exist. As a result, this idea assumes that when practices are institutionalised they become organisational constituencies, leading to *institutional inertia* and implying the retention of practices despite the elimination of the policy that created those practices in the first place. The other set of premises followed by AA/NP literature is that of new institutionalism, mainly taken from the work of Meyer and Rowan (1977) and DiMaggio and Powell (1983). New institutionalism suggests that organisational practices become socially constructed as 'useful', and are constructed at an inter-organisational level. Practices are theorised through professional networks and create additional newly constructed practices. These networks may re-theorise old practices in order to match the newly desired regulatory ends.

A brief examination of the empirical contribution of this research shows that it is aligned with the institutional arguments. The work of Edelman (1990, 1992), for instance, tackles the effect of civil right laws on organisations. They tend first to

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[12]Such as Lauren Edelman, Frank Dobbin and John R. Sutton.

embrace visible symbols of compliance and then construct institutional forms and structures to comply with the regulations. This process of institutionalisation, according to Edelman, has led to the diffusion of certain practices among organisations, creating special organisational structures to suit each new policy setting. This empirically supports the isomorphism concept of Meyer and Rowan (1977) and DiMaggio and Powell (1983).

Equal Employment Opportunity/Affirmative Action (EEO/AA) and its impact on the HR practices of US employers has also been discussed by scholars from different perspectives (Sutton et al., 1994; Dobbin and Sutton, 1998; Kelly and Dobbin, 1998). Studies of the topic examined major historical changes to EEO/AA and their consequences for HR practice. For instance, Sutton et al. (1994) studied the EEO/AA effect on HR practices such as disciplinary hearings and grievance procedures for non-union salaried and hourly employees. Their main argument was that the law was ambiguous and that this creates uncertainty about compliance measures. Models and practices are constructed on the basis of employee relations, in order to fulfill the new laws. In the case of EEO/AA, this led to the establishment of personnel structures and roles that the law did not itself require. Kelly and Dobbin (1998), and Dobbin and Sutton (1998) focused more on the ways in which managers and professional networks have constructed new jobs and structures to comply with the new law. Interestingly they found that even after the government became more lenient about EEO/AA, organisations still retained these forms and structures. Moreover, employers justified (theorised) some practices from an efficiency point of view, a conclusion in keeping with institutional theory (c.f. Selznick 1969).

In addition to the US literature delineating the relationship between AA/NP and HR practices, some studies found other significant controlling variables that may explain the difference in the level of adoption of new HR practices by organisations. For instance, while legal and political pressures are the main factors

of adoption rate of a practice, the work of Edelman (1990) and Sutton et al. (1994) found that the proximity of organisations to the public sphere made organisations more visible to policy makers, and therefore meant that those organisations had a higher level of practice adoption compared with organisations which were further from the public sphere.

In a related domain of research, Godard (2002) investigated the role of the state in shaping employee relations in organisations. He used the institutional perspective to look beyond the direct regulative influence of the state to the normative and cognitive levels. His study examined organisational employee practices related to the relationship between firms and trade unions in three liberal market economies (the USA, Canada and the UK). In spite of the weak evidence found in the paper about the role of the state in inducing the normative and cognitive decision-making process of employers, the main contribution of the paper was to establish a systematic approach to an understanding of the relationship between the state and HR practices. This systematic approach expanded the role of the state from its assumed regulatory character into a more holistic approach that considered normative and culture-cognitive influences. Godard (2002) also implied that, when tackling the problems of a country, the state's role should not be limited to changes in regulations but should also include normative and cognitive influence.

Klarsfeld (2009) investigated diversity practices in French firms, applying three different lenses to examine the process of practice formation in firms: 'business-case' rationale, neo-institutional theory and social regulation. He found that coercive rules about diversity and anti-discrimination played an important role in shaping diversity management practices. He also claimed that policing regulations and threatening non-complying firms with penalties had the greatest effect on the adoption of such practices. The study also empirically supported the argument of Tolbert and Zucker (1983) that organisational adoption rates are higher for 'mandatory' aspects of the regulation than for 'voluntary' ones.

At this point it is worth mentioning Mellahi (2007), who aimed to complement existing research on AA/NP by examining the impact of the new legal framework in Saudi Arabia on overall HRM in that country's private sector. After describing the contextual background of the legal framework and the labour market, the paper details the characteristics of the new legal framework. The two main objectives of the new legal framework are then presented: a reduction in unemployment among Saudis through a policy forcing private firms to employ them; and an adherence to international labour standards on fairness and working conditions. As a result of this new legal framework and its enforcement by government, a new legal context for HRM came into existence. According to Mellahi (2007), the HRM function as a whole became more regulated and compliant with legal requirements.

In Mellahi's (2007) view, therefore, the main challenges from government have made the process of hiring foreign workers more complex, and have imposed penalties on firms when they deviate from set regulations. The paper concludes by discussing the change in the HR function in the Saudi private sector to a more consultative model (involving employees). The study clearly emphasises the institutional premises suggested in the literature about affirmative actions and national policies in the context of a developing country. However, this study focuses on the regulatory aspects of the environment and pays limited attention to its normative and culture-cognitive aspects.

3.2.2. HRM from an Institutional Perspective

The previous section described the empirical work that has used institutional perspectives to investigate the relationship between affirmative action and HR-related practices from the viewpoint of sociological and organisational studies.

However, another body of HR research exists that has employed institutional theory to understand the formation of HRM and HR practices from an HR perspective. In 1999, Wright and McMahan stated cautiously that:

"One theory that has recently evolved in organisational theory is the institutional perspective … Although this theory is currently not well developed and consist of a variety of approaches; the idea of institutionalism may help in understanding the determinants of HRM practices." (66)

Since then clear progress has been made in the area of institutional HRM, as discussed in this section, which covers the main work on HRM from an institutional perspective and its development. The empirical work discussed includes the early work of HR scholars who use the premises of institutional theory to investigate HR issues including compensation practices, and organisational involvement in work-family programmes (e.g. Eisenhardt, 1988; Paauwe and Boselie, 2003, Gooderham, 1999). This section also discusses recent work on institutional HRM, especially that of the Dutch HR Network (DHRN) (e.g. Paauwe, 2004) and others (e.g. Goodstein, 1994; Boxenbaum, 2006).

3.2.2.1. Early Work on Institutional HRM (1988-2000)

Institutional theory perspectives on HRM have existed since the 1990s. For instance, the work of Eisenhardt (1988) is an example of an empirical study which uses the premises of institutional theory (and agency theory) to explain variations in compensation practice in retail outlets. The study found, using both quantitative and qualitative analysis, that employee compensation policies are first established as a result of institutional pressure, and then gain legitimacy through time. Their real added value is therefore rarely examined for efficiency and the practice is less frequently revisited afterwards.

Within the same research area, Gooderham, Nordhaug and Ringdal (1999) studied the relationship between rational (e.g. firm size) and institutional aspects (e.g. national/industrial embeddedness) on the HR practices of firms. They examined data from six European countries (the UK, France, Germany, Spain, Denmark and Norway), and proposed fourteen different hypotheses applicable to various institutional settings (e.g. legislative pressure, general managerial autonomy and others). The outcome of the research showed, counter to the rational view, that national institutional embededdness had a strong effect on the choice of HR practices in firms, either through calculative (hard) or collaborative (soft) models. However, industrial institutional settings were found to be less related to HR practices than the national setting.

3.2.2.2. Recent Work on HRM: an Institutional Theory Perspective

As shown in Table 3.5, the second wave of European researchers (e.g. Paauwe and Boselie, 2003; Baauwe, 2004; Boxenbaum, 2006) restored the prominence of institutional theory as a competing paradigm in HRM studies. This section presents the main work of these scholars, with a brief evaluation of the strengths and weaknesses of their work. The section also draws on the connections between different studies within the same stream. Finally, some remarks will be made cocncerning the current debate about institutional HR as a new direction in HR studies. It is important to note that this review is far from exhaustive, but is a representative view of the development of this research.

Most of the research on institutional HRM has taken place within the Dutch HR Network[13]. The Network was founded by a group of Dutch academics in 1997

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[13] The literature covered in this section is not exclusively produced by the DHRN, but they are the main advocates of this new trend in HR studies.

with the aim of "stimulat[ing] fundamental and applied scientific research in the area of the employment relationship" (Paauwe and Richardson, 2001:1085). The main themes advocated by this new network were: studying HRM issues from different levels of analysis (i.e. individual, group, organisational, national and international); and approaching HRM issues from competing perspectives derived from multi-disciplinary stances including psychology and sociology.

	Paauwe and Boselie (2003)	Boxenbaum (2006)	Farndale and Paauwe (2007)	Van Gestel and Nyberg (2009)	Boon et al. (2009)
Perspective	Strategic HRM in context	Translation of national policy	Competitive and institutional derive to HRM	Policy translation	Institutional fit (Leeway)
Nature	Theoretical	Empirical	Empirical	Empirical	Empirical
Framework	DiMaggio and Powell's (1983) institutional mechanisms	Institutional logic literature and open coding of collected data	Contextual based HR Theory (CBHRT) (Baauwe, 2004)	3 dimensions: 1) Individual preference, 2) Strategy Framing and 3) Local grounding	3 forms of institutional fit: 1) innovative, 2) conformist and 3) deviant
Case	n/a	How Danish business translated the American practices of diverse management	The effect of competitive and institutional factors in shaping HRM practices in 14 MNC	The translation process of national absenteeism policy into HR practices in Dutch law firms	The role of institutional profile, organisational profile and human agent in leeway behaviour
Outcome	Four propositions derived from DiMaggio and Powell's (1983) institutional mechanisms	Shows the challenge of translating practices to a different context, and developed the three-dimensional institutional lens	The outcome supports the view that both some universal (best practice) and local (best fit) practices do exist according to the CBHRT model	Shows that all the factors affect the process	Organisations search for the optimal balance between conformity/ differentiations
Based on	DiMaggio and Powell (1983)	Friedland and Alford (1991)	DiMaggio and Powell (1983), Barney (1991) Baauwe (2004)	Boxenbaum (2006)	Paauwe and Boselie (2003) Greenwood and Hinings (1996)
Related themes	Institutional mechanisms	Institutional logic	Institutional mechanisms and resource-based theory	Institutional logic	Institutional change

Table 3.5: Overview of the New Wave of Institutional HRM Literature

Table 3.7 above presents the main work of recent years that has employed an institutional HRM perspective. Paauwe and Boselie's (2003) paper made four propositions about the relationship between institutional setting and the homogeneity of HR practice. These propositions were evidently derived from DiMaggio and Powell's (1983) institutionalisation mechanisms – in particular, the coercive, mimetic and normative mechanisms – and they examined forms of pressure applied by prime institutional actors such as external consultants, professional bodies, and national and international legislators. According to Paauwe and Boselie (2003), the effect of external consultants derived from them introducing their clients to HR frameworks and models, which usually matched a specific context.

Other firms, however, tend to follow those blueprints mimetically. The most common examples in HRM are the four roles of HR leadership (Ulrich, 1997) and the HR scorecard (Becker, Huselid et al., 2001). Professional bodies also apply pressure through formal and informal communication (such as education, training and discussions). The more institutionalised the HR professional bodies become, the more strongly pressure is applied to organisations to conform to professional values, practices and standards. Finally, legislators apply a coercive pressure through regulations and law. As a result, HR functions can be affected by regulation at international level (e.g. the International Labour Organisation (I.L.O.)), national level (e.g. labour law), industrial level (e.g. collective bargaining), and national policy level (e.g. the 'Accord of Wassenaar', which restored employment equality in the Netherlands).

While Paauwe and Boselie's (2003) article is theoretical as a whole, the main contributions of the paper came from two main angles. The first is its proposal of institutional theory as a complementary approach to the investigation of HR practice and performance. The second is its detailed explanation of ways in which the general premises of institutional theory (primarily the mechanisms of

DiMaggio and Powell) can be translated by HRM researchers into measurable variables.

The other important work using similar perspectives is that of Boxenbaum (2006). Her paper neither follows Paauwe and Boselie's (2003) argument or is a strictly HR-focused study. Instead, it deals with the process of policy translation in HR-related practices, and, in particular, diversity management in Danish businesses. The study principally investigates the ways in which Danish businesses translated American diversity management practices from an institutional perspective, mostly using the institutional logic perspective of Friedland and Alford (1991), who defined institutional logic as supra-organisational patterns of activity through which individuals and organisations produce and reproduce their material subsistence, and organise time and space. They are also symbolic systems, ways of ordering reality, which thus render experience of time and space meaningful (Friedland and Alford, 1991:243).

Boxenbaum's (2006) study used its qualitative approach to illustrate the complexity of the translation process. More importantly, it arrived at a new 'three-dimensional typology' to describe the institutional domains linked to the translation process: 1) individual preference, 2) strategy framing and 3) local grounding. *Individual preference,* according to the framework, refers to the most meaningful aspects of the policy from the perspective of managers. *Strategy framing*, on the other hand, comprises the ways in which the policy is related to the strategic stance of the business. And finally, *local grounding* denotes the merging of the policy into existing local practices and routine. Once again, while this work was not meant to be read from an HR perspective, the study is still very relevant to the ways in which HR managers view HR-related policies and practices and how they translate policies and laws into practical actions.

Farndale and Paauwe (2007) expanded the previous work of Paauwe and Boselie (2003), and of Paauwe (2004), from the level of functional HR and streategic HRM to the inter-relational level. In their study, Farndale and Paauwe investigated both the competitive and institutional drivers for HRM practice in multinational corporations (MNC). By using the contextual base HR theory (CBHRT) of Paauwe (2004), they studied fourteen cases from Fortune 500's top performing companies. The study validates CBHRT claims about the competitive and institutional drivers that shape HR practices. The added value of this article is that it examines the CBHRT model in an MNC context.

Another important piece of literature is that of van Gestel and Nyberg (2009), which examined the process through which a national absenteeism policy was translated into local HR practices in Dutch law firms. It used Boxenbaum's three-dimensional framework (2006) to investigate the process of translation, and reaffirmed the sufficiency of the framework in explaining the factors affecting the ways in which HR managers (and firms) read and interpret national policy. The value of this paper, in addition to its empirical contribution, is that it relates HR practices to policies similar to Saudisation.

The last article to be discussed in this section is that of Boon et al. (2009), which moves even further in the same direction towards institutional HRM. The paper discusses the concept of *institutional fit,* the alignment between HRM goals and the institutional context (including government agencies, professional bodies and employees). The study suggested that HR managers have an active role in choosing an institutional fit based on institutional leeway and their firm's strategic stance. The study suggested three forms of institutional fit: innovative, conformist and deviant. *Innovative fit* occurs when a firm chooses an active innovative action to deal with its context. *Conformist fit* tends to be either neutral or passive about the situation. *Deviant fit* takes place when firms actively resist pressure.

The study sets this model within an empirical investigation of three organisations, two retailers and one health-care organisation. Through a qualitative case study, it concludes that organisations tend to search for the optimal balance between three forces (human agents, strategic choice and institutional leeway) in order to reach the right institutional fit.

The main contribution of this paper is that it synthesises different pieces of the institutional frameworks into one single model. The frameworks considered by the paper include the institutional mechanisms of DiMaggio and Powell (1983), Paauwe's concept of leeway (1991), the human agent role of Decin et al. (2002) and the effect of strategic choice proposed variously by Goodstein (1994), Oliver (1991) and Paauwe (2004) (see Table 3.6). In addition, it gives institutional forces a controlling effect rather than a deterministic one in the shaping of HR practices. Moreover, it places the role of active agent and strategic direction at the heart of the HR development process once more, and considers institutional forces to be challenges that face organisations rather than constraining limitations.

Nature of Institutional Fit	Nature of response	Human Agency	Goodstein (1994)	Oliver (1991)	Paauwe (2004)	Mirvis (1997)
Innovative	Active innovative development	Active			Lead/develop	Leaders
Conformist	Neutral	Passive/ neutral	Conformity	Acquiesce (passivity)	Acquiesce (passivity)	Followers/ laggards
Deviant	Active resistance	Active	Resistance	Defy/ manipulate (active resistance)	Defy/ manipulate (active resistance)	

Table 3.6: Types of Institutional Fit (Source: Boon et al., 2009)

An examination of the work on institutional HR leads to the following conclusions. Firstly, most of the initial empirical work in the area examines cases from the USA (e.g. Edelman, 1992; Sutton et al., 1994) together with legal

changes concerning the labour market. Researchers have investigated a range of national policies including affirmative action, civil rights laws and diversity management initiatives. The literature uses the institutional arguments of Selznick (1969), Meyer and Rowan (1977) and others to show how systems of regulation shape HRM. However, despite the development of this body of literature since Edelman (1990), the area of research at its core was concerned with the legal-sociological relationship rather than HR. The same approach was adopted by Mellahi (2007) who investigated legal changes in Saudi Arabia and their impact on changes and trends in HR.

The other stream of research examined HRM from the perspective of institutional theory. Developments in this direction began with the early work of Eisenhardt (1988) and Gooderham (1999). This research also progressed from purely empirical work employing the premises of institutional theory (e.g. Eisenhardt, (1988)) to work which uses a variety of institutional theory frameworks and models (e.g. Paauwe, 2004; Boon et al., 2009). The establishment of the Dutch HR Network was another development that polarised research in the area and determined its agenda. The establishment of such a network, as described in previous sections, also encouraged more empirical work and scholarly debates about the new direction of institutional HRM (cf. Paauwe, 2009; Janssens and Steyaert, 2009).

The development of a model of institutional HR, and its adoption by institutional HR scholars, contain some strengths and weaknesses. The main strength is that the theoretical and empirical work had changed, because of the DHRN, from being individual work to a more collective effort. This change of direction helped to replicate previous work and wnabled a consideration of different propositions and frameworks. Working as a network of academics also facilitated the process of gaining legitimacy and creditability in academic HR circles as a whole. As a result of this collective work, many frameworks were integrated into more

comprehensive models such as the institutional mechanisms of DiMaggio and Powell (1983), Paauwe's concept of leeway (1991), the human agent role of Decin et al. (2002), and the effect of strategic choice described by Goodstein (1994), Oliver (1991) and Paauwe (2004) (cf. Boon et al., 2009).

The main limitation of this institutional HR work is that most of the relevant research was initiated or conducted in Europe, which, according to Paauwe and Richardson (2001), follows a special socio-economic system peculiar to its national setting. This limitation should encourage further research in countries beyond Europe with different institutional settings, such as Saudi Arabia. The following section covers the theoretical framework of this thesis and shows how it investigates HR practices and, in particular, Saudisation.

3.2.2.3. Contextually-Based Human Resources Theory (CBHRT)

This short section outlines contextually-based human resources theory (CBHRT), as a way of summarising the theoretical development of contextual/institutional HRM. The theory, as proposed by Paauwe (2004), follows the relational rationality that assumes that organisations aim to ensure trustworthy relationships with both their internal and external environments. Figure 3.2 presents CBHRT visually, and shows how HR practices are shaped. Organisations initially find a balance between *economic rationality* and *relational rationality*, or, in other words, between the product/market/technology (PMT) dimension, as competitive dimensions, and the social/cultural/legal (SCL) dimension, as institutional dimensions. These two dimensions are related to the external stakeholders of the organisations. The third force that influences HR practice is the configuration dimension, which comprises the embodied values, historical decisions, interactions and structures that form the organisational heritage.
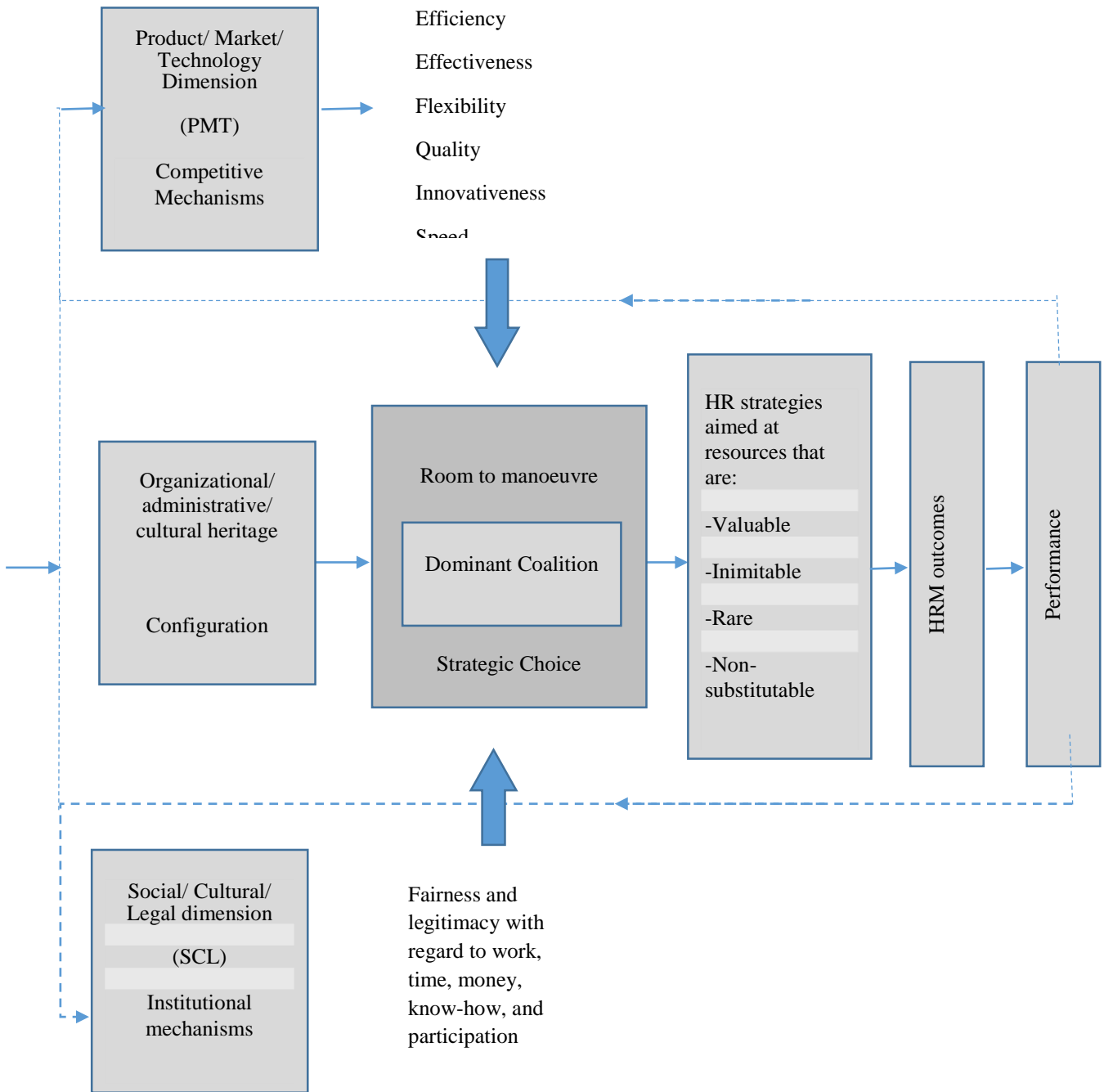
Figure 3.2: Contextually-Based Human Resources Theory (CBHRT)

These three forces (the PMT dimension, the SCL dimension and configuration) affect the dominant coalition in organisations. This coalition includes senior management, middle and lower management, HR managers and others. These actors, as Paauwe (2004) suggests, have their own values, norms and attitudes.

These characteristics could work together or conflict with each other. According to CBHRT, the coalition indicates the degree of leeway enjoyed by organisations in terms of adopting common practices while making strategic decisions, including the adoption of HR practice. These forces work together to shape HR practice in organisations, in ways that lead to HR outcomes and to some extent affect organisational performance.

Boselie and Paauwe (2002) suggested questions that could be asked to assist in the analysis of the different forces described in CBHRT: PMT, SCL and configuration; dominant coalitions; HR policies and practices; leeway/room for manoeuvre; HR outcomes and organisational performance. For instance, to analyse PMT researchers could ask which market or competitive mechanisms shape organisations. To investigate SCL, researchers could examine which institutional mechanisms directly affect and shape a given organisation.

The CBHRT framework will be heavily used to construct the theoretical framework of the thesis. The following section considers how this thesis will analyse Saudisation practices in the supermarket industry as a continuation of progress in the institutional HRM literature and research.

3.3. Theoretical Framework of the Thesis

This section describes the framework of the thesis and the measures taken for data collection. The main aim of this thesis is to investigate the adoption of Saudisation practices by Saudi supermarket chains. As Section 3.3 above has shown, a stream of research exists that examines HRM from an institutional perspective. Most of the progress has been the result of Paauwe's CBHRT (2004). The theoretical framework of this thesis is derived primarily from CBHRT with some adaptations to suit the Saudi context. This framework has guided both the

process of data collection and that of data analysis, using the pattern-matching technique.

3.3.1. The Framework: General Overview

The theoretical framework of the thesis is presented in Figure 3.3. According to this framework, Saudisation practices are established at industry level as a result of two main forces. The first is the national and international context, including political, economic, social, technological and legal factors. The second is the institutional profile, which is shaped by three institutional pressures: coercive, normative and culture-cognitive. These forces shape Saudisation practices in the industry. It is important to note here that both environmental forces and Saudisation practices evolve over time.

The outcome of the external environment could be called 'industrial Saudisation practices'. As suggested by CBHRT, despite the adopted practices, there is always a degree of leeway or freedom in the choice of practices that organisations can adopt. This freedom is partially determined by the number of stakeholders (actors), the extent of rules and legislations, the strength of professional bodies (DiMaggio & Powell, 1983), market structure and competitive strategy (Paauwe, 1989). For instance, some practices might be strictly regulated and therefore give organisations less room to manoeuvre. As a result, most organisations would be expected to adopt similar practices.

According to the literature of institutional theory, while organisations pursue their business objectives, they seek legitimacy by adhering to institutional forces in the environment. This legitimacy-attaining motive leads firms to enact certain norms (e.g. Scott, 1987; Zuker, 1987). More precisely, firms tend to become isomorphic in their practices through the three institutional isomorphic mechanisms: coercive,

mimetic and normative (DiMaggio and Powell, 1983). Hence, according to Meyer and Rowan (1977), and DiMaggio and Powell (1983), organisational practices become socially constructed, due to time and pressure, as proper, adequate, rational and necessary practices within the institutional field, or as 'rationalised myths'. Hence, the overall rationale of this part of the framework suggests that the adoption of Saudisation practices results from institutional isomorphic mechanisms in the environment.

The second domain affecting the adoption of Saudisation HR practices occurs at the organisational level (the internal environment). The framework considers two of the main internal forces that impact Saudisation practices in organisations. The first is the 'organisation profile'. This consists of some organisational features, such as the size of the organisation; its proximity to the state (Edelman 1990; Sutton et al. 1994); the age of the organisation (Edelman 1990; Sutton et al. 1994; Goodstein 1994); its strategic stance; the strategic framing of the policy (Boxenbaum, 2006; Van Gestel and Nyberg, 2009); and the organisation's administrative heritage (Paauwe, 2004).

The second internal force affecting the choice of Saudisation practices is 'human agency'. According to CBHRT, human agency is primarily represented by the dominant coalition, which consists of senior management, middle management, HR managers and others (Paauwe, 2004). In addition to this general perspective on human agency, the researcher used upper echelons theory (UET) (Hambrick and Mason, 1984) into the idea of human agency. UET offers a complementary measure of the dominant coalition as a group.

Briefly, the main assumption of upper echelons theory is that correlation exists between dominant coalition demography, including education and age on the one hand; and corporate strategies, performance (Boeker, 1997; D'Aveni, 1990;

Eisenhardt and Schoonhoven, 1990), commitment to the strategic status quo (Geletkanycz and Black, 2001), and the strategic decision-making process (Papadakis and Barwise, 2002) on the other. Moreover, UET follows the logic of bounded rationality (Cyert & March, 1963; March and Simon, 1958) which argues that decisions in firms are not made objectively or rationally, but are rather based on biased interpretations of a situation (Hambrick, 2007). This addition of UET to the forces of human agency contributes to the work of, among others, Paauwe (2004) and Boon et al. (2009).

Political

Ecumenical

Social

Technologic

National and Industrial Context

Institutional Profile

Institutional Pressure

- Regulative

- Normative

- Culture-cognitive

Industry Saudisation HR Practices

Coercive   Mimetic   Normative

Organisational Profile

Human Agency

Saudisation Practices in Supermarket Chains

Lead/ Develop

Acquiesce

Defy/ Manipulate
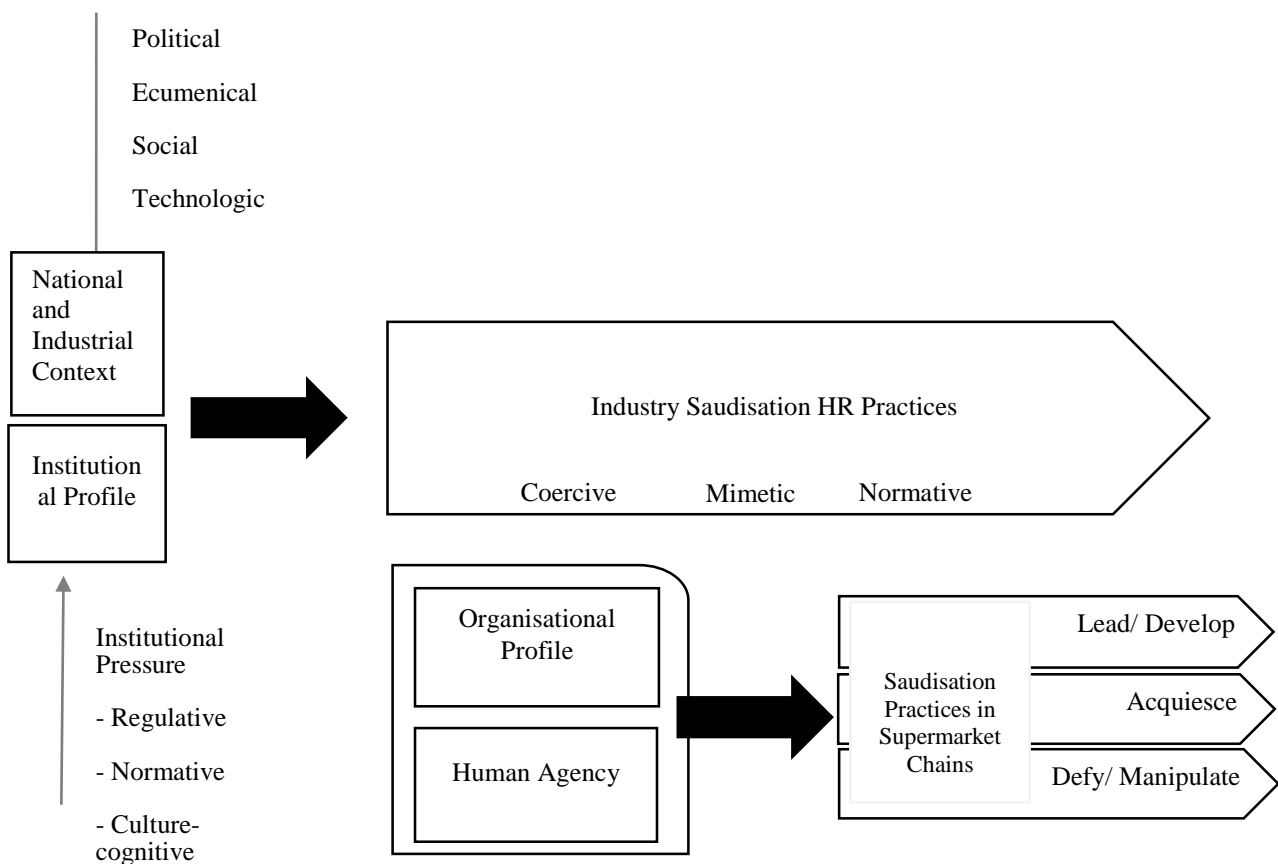
Figure 3.3: Theoretical Framework of the Thesis

The framework here applies the decoupling concept established in the literature of institutional theory. The concept of decoupling suggests that while most organisations adopt some common practices, others might diverge from them. According to Greenwood (2008), decoupling occurs when "organisations abide only superficially by institutional pressure and adopt new structures without necessarily implementing the related practices" (81). As Meyer and Rowan (1977) claim, organisations tend to decouple from institutionalised organisational practices under two conditions. The first occurs when the rationalised myth does not make efficient sense to the organisations, while the second occurs when the rationalised institutional myth contradicts internal myths within the organisation. Organisations can therefore solve these conflicts by decoupling from the institutional practices they espouse.

The framework applies the work of Oliver (1991) in predicting the strategic responses of organisations to institutional pressure. According to Oliver (1991), the response of organisations is determined by several internal factors including the characteristics of the firm, the ownership setting, and the autonomy of its HR department. The framework also employed Paauwe's (2004) three directions of adopted practices: 1) lead/develop, 2) acquiesce and 3) defy/manipulate. These directions are reached through organisational attempts to find the right institutional fit.

To summarise the theoretical framework of this thesis, the external environment plays a critical role in the shaping of Saudisation HR practices at the industry level. These Saudisation practices are generally followed by organisations in the industry. However, this industrial adoption does not imply a full homogeneity of practice. Organisations which focus on their internal environment choose the best fit for their individual organisation. The next section translates the different features in the framework into measures.

3.3.2. Framework Measures

By using the framework of the thesis, the researcher drew up a wide range of measures with which to investigate the phenomenon of Saudisation. Table 3.7 below shows the measures derived from the theoretical framework and gives brief descriptions of each element. These measures and their related elements were devised during the data collection process. Numerous data sources were employed in this process. These measures are explained further in Section 4.4 which deals with data collection.

Stage	Element	Description	Type of Data	Source
National and Industrial Context (NIC)	PESTL	The political, economic, social, technological and legal aspects surrounding the nation and the industry.	Mixed	Secondary
	Supermarket industry context	The industry-specific context of Saudi supermarket chains.	Mixed	Secondary
Institutional Profile (IP)	Regulative factors	Regulative and legal changes in the environment related to Saudisation and Saudisation practices in firms.	Qualitative	Secondary
	Normative factors	The set of norms (how things should be done professionally) to achieve Saudisation targets and avoid sanctions in the industry.	Qualitative	Secondary
	Culture-cognitive factors	The social perceptions and conceptions related to Saudisation and how it should be approached.	Qualitative	Secondary
Institutional Saudisation practices: the	Compensation and benefits	The financial incentives used by firms to attract, retain and capitalise on Saudis.	Mixed	Primary

HR practices employed by private firms to achieve Saudisation objectives to attract, retain, and capitalise on Saudi employees. (ISP)	Training	The training provision practiced in firms.	Mixed	Primary
	Obtaining HRDF support	Agreements between firms and HRDF to receive subsidies toward recruiting and training Saudis.	Mixed	Primary
	Employing women	Using females in the work force as a way of increasing Saudisation.	Mixed	Primary
	Subcontracting jobs	Using subcontracted workers to increase the aggregated Saudisation percentage.	Mixed	Primary
	Employing part-timers	Using part-time contracts to increase number of Saudis in firms.	Mixed	Primary
	Targeting new labour segments	Approaching new segments of the labour market to bring more committed Saudis into the firm.	Mixed	Primary
	Meeting Saudisation percentage	Firm's status in terms of adhering to the required Saudisation percentage enforced by Ministry of Labour.	Mixed	Primary
	Compliance with restricted jobs	Firm's status in terms of following the Ministry of Labour's list of jobs restricted to Saudi nationals, such as cashier, security guard etc.	Mixed	Primary
	Career choice and development	The use of career choice and development as a means to attract, retain and capitalise on Saudis.	Mixed	Primary
Organisational Profile (Organisational	Age	The age of the firm from its establishment.	Quantitative	Primary
	Origin	The firm's city of origin.	Quantitative	Primary

Factor): Aspects related to the organisational characteristics and strategic position (FP/OF)	Size (number of employees)	Firm size according to the number of employees.	Quantitative	Primary
	Size (number of stores)	Firm size according to the number of stores.	Quantitative	Primary
	Geographical presence	The geographical presence of the supermarket branches (provinces).	Quantitative	Primary
	Expansion strategy	Expansions in the number of branches between 2003 and 2007.	Quantitative	Primary
	Strategic focus	Firm's strategic focus, based on available secondary sources.	Quantitative	Primary
Firm Profile (Human agency factors): aspects related to the human resources empowerment in firms (FP/HA)	Ownership setting	The ownership setting based on legal and actual governance.	Quantitative	Primary
	HR department autonomy	The level of autonomy given to HR to determine its functions.	Quantitative	Primary
	Upper echelons demography	Characteristics related to the senior management such as age, tenure, years of experience.	Quantitative	Primary
Firm's Saudisation Position FSP	Firm's position about specific Saudisation practices	The position of the firm regarding Saudisation practices. The positions are namely: lead/ develop, acquiesce or defy/ manipulate.	Qualitative	Primary

Table 3.7: Theoretical Framework Measures

3.3.3. Institutional Theory, Upper Echelons Theory and Saudisation

One of the main contributions of this thesis is, therefore, the way it brings upper echelons theory to the literature of both institutional theory and Saudisation. It is important to emphasise that Saudisation has become the single most important HR

issue in the Kingdom of Saudi Arabia in recent years. Despite its importance, however, the area has been the subject of descriptive investigation much more than theory-driven research. This section will shed light on the relationship between institutional theory and upper echelons theory, and then between both theories and Saudisation.

Firstly, the aspect of upper echelons theory which supports human agency has never previously been used in the literature of HR. In fact, a sizeable literature exists which explains the leeway of organisations in adhering to common practice (e.g. Boon et al 2009; Oliver 1991). As Garud et al (2007) suggest, the existing institutional literature has emphasised the impact on human agency, interest and power of the decision to adopt certain HR practices. Nevertheless, previous literature has not applied clear measures to human agency. For this reason, the researcher has investigated the concepts of human agency using upper echelons theory, the main premise of which is that the demography of senior management has a major effect on an organisation's decision-making processes.

Based on the theoretical framework of the thesis, the researcher made six different propositions that summarise the anticipated pattern in the empirical evidence of the research.

P1. Extensive institutional pressure leads to similar Saudisation HR practices within the industry.

P2a. Limited institutional pressure with a good business case leads to similar Saudisation practices within the industry.

P2b. Limited institutional pressure with a poor business case leads to decoupling of Saudisation practices in the industry.

P3. Contradictory institutional pressures lead to decoupling of Saudisation practices within the industry.

P4. Organisations with age, a larger operation, wider geographic presence or expansions are likely to lead the development of Saudisation practices.

P5. Organisations with a higher percentage of Saudis in senior management and decentralised decision-making (HR autonomy and less engagement from owners) are likely to lead the development of Saudisation practices.

P6. Organisations with highly educated and younger or less experienced upper echelons are likely to lead the development of Saudisation practices.

These propositions are discussed further in the section on pattern-matching analysis (4.5.2). The validity of these propositions will be carefully tested in later chapters.

3.3.4. Concluding Remarks on Theory

The focus of this research is HR Saudisation practices in the supermarket industry. It considers how the supermarket industry has reacted to the emergence of Saudisation by investigating five firms and the ways in which they have adopted a variety of Saudisation practices in their adherence to policy. This chapter has presented a set of institutional analysis tools, introduced using the literature. These tools include Scott's (2008) model of institutional pillars, Greenwood et al.'s (2002) stages of institutional change, and Oliver's (1991) work on organisational responses to institutional pressure. The chapter also presented the recent work on contextually-based HRM of Paauwe (2004) and others. This chapter has emphasised how the study contributes to both institutional theory and institutional HR.

The next chapter covers the methodology employed in this research. It includes its philosophical underpinning, the research design, the data collection method and the technique of analysis.

Chapter Four: Methodology

This research aims to gain an understanding of HR Saudisation practices in the supermarket industry, and this chapter discusses the methodology employed to fulfil that aim. It first covers the philosophical stance used, critical realism, which underlies the research, together with its implications for research design and method. The second section discusses the research design and case study method, together with the reasons for this choice. The third section discusses the sources and instruments used for data collection and the manner in which these instruments were employed. The last section presents the approach to analysis adopted in this thesis and the way in which this approach was utilised to achieve the purpose of the research.

4.1. Philosophical Basis of the Thesis

It is becoming more common now in management studies to demonstrate their philosophical stance prior to a discussion of the instrumental methodology (Johnson and Duberley, 2004). The epistemological clarity gained from this stage may help both the researcher and the reader to establish clearer expectations and an understanding of the matter being studied and the way it will be tackled. Johnson & Duberley (2004) state that:

> "Epistemology provides one with a range of different approaches to management and organisational research. The implication is that when engaging in any management research or practice people need to reflect upon the nature of the philosophical assumptions which they inevitably make since there is now a philosophical space available." (9)

This section covers both the ontological and epistemological position adopted in the research (pragmatic − critical realism). It then reflects on the implications for the research design of incorporating this philosophical stance.

4.1.1. Critical Realism

It has always been claimed that Management Studies and Organisational Studies are branches of the social sciences established in the West. This *westernised* habitat for the discipline has affected the ontology and epistemology adopted in the field. As Johnson and Duberley (2004) have clearly shown, positivism is strongly embedded in the Western mindset, where theories of management and Human Resources have primarily been formulated. Positivism has been suggested as a possible way of resolving the paradigm fragmentation of the discipline (Pfeffer, 1995). This thesis, however, approaches Saudisation practices using a completely different paradigm.

According to critical realism, the causality of any phenomenon is identified by investigating the underlying power (generative mechanisms) behind events. This investigation can be performed by deducing the abstract identifications of the indirect observable structures and mechanisms that may explain the reasons for regularities. Bhasker (1989) suggests a process of 'retroduction' in order to postulate underlying causal power in order to dig down into some of the 'intransitive' essence of the matter. Bhasker (1989) further explains that researchers should move from the mode of describing the phenomenon to the description of the phenomenon underlying a given mechanism or structure, which could be a cause or a condition of the recurrence of the phenomenon.

Bhasker (1989) defines *retroduction* as:

"A mode of analysis in which events are studied with respect to what may have, must have, or could have caused them. In short, it means asking why events have happened in the way they did." (25)

4.1.2. Critical Realism: A Pragmatic Perspective

Some believe that critical realism lacks the ability to assert causal relationships on its own, especially with its relativist epistemological stance. However, the 'pragmatic' feature of CR can be seen to offer a more comprehensive philosophical basis for this research. Pragmatism first appears as one of the extensions to CR of Sayer (1992). He enriched CR by adding a mechanism for the formation of non-foundational epistemological transactions between human agents and ontologically a priori reality.

Through this openness to feedback, the pragmatic–critical realist therefore achieves a 'practically adequate' knowledge that generates expectations through an establishment of causality that may be used in real life. Hence, from a critical realist perspective, the best explanations are those that are identified as having the greatest explanatory power. Explanations are always potentially open to revision, however. Accepted theories may be rejected in favour of more convincing alternatives, if the alternative is better able to explain a phenomenon and generate theoretical implications that are actually realised (Sayer, 2002). Hence, as McEvoy and Richards (2006) state:

"For critical realists, the ultimate goal of research is not to identify generalisable laws (positivism) or to identify the lived experience or beliefs of social actors (interpretivism); it is to develop deeper levels of explanation and understanding." (69)

4.1.3. Critical Realism and Plurality

Critical realism (CR) enables researchers to employ both quantitative and qualitative data when seeking a better understanding of a particular phenomenon. CR also values the ability of quantitative methods to offer reliable descriptions and accurate comparisons. On the other hand, CR sees the significance of quantitative methods in identifying patterns and uncovering underlying aspects of the reality. It may therefore provide explanations of causal mechanisms in particular contexts (McEvoy and Richards, 2006). Therefore, according to CR, the choice of methods is not predetermined, but decided according to the nature of the research, which in many cases might require a mixed-methods approach to 'retroduct' the causality in the relationship.

This mixed-methods approach plays a triangulation role. Risjord, Dunbar et al. (2002) suggest that the aim of a mixed-methods approach is to confirm the reliability and validity of findings, by counteracting the biases of individual research methods. Moreover, a mixed-methods approach will uncover details of the phenomenon that may not be obtained with a single method. It also provides a suitable platform for retroductive reasoning to establish a better understanding of the causal mechanism of the phenomenon (Risjord et al., 2002).

Critical realism also implies an open choice between examining hypotheses or originating theories (see the section in this chapter on the approach to analysis). This plurality allows the data collected to be analysed in both conventional and unconventional ways. In this research, for instance, quantitative data was gathered about management demography, including age and length of experience. In the main part of this research, qualitative data was collected on Saudisation practices

in the five firms studied. The study therefore treats both types of data with the same level of consideration and validity when explaining the phenomenon.

The plurality of CR also offers a useful platform for this research in particular. For instance, the issue of Saudisation in the supermarket industry has a unique national and institutional context that requires special treatment. The context was found to be different from apparently similar workforce localisation (indigenisation) cases in other countries including South Africa and Malaysia. That led the researcher to be solely dependent neither on existing theories, nor on case observations.

Moreover, the Saudisation measures in firms were found to be either less developed than expected by the research (e.g. the part-timers scheme, the employment of women) or poorly documented in firms (including financial investments in Saudisation activities and the cost of training). This dictated the decision to utilise the best available evidence (e.g. figures, investment, training courses). It was found that the main measure of the success of Saudisation used in the field was the percentage of Saudis employed, which was poorly documented in most companies. This measure, though critical for firms, was found to be inadequate as an explanation of the underlying activities and practices in each firm. A more thorough investigation of the qualitative aspects of the phenomenon was therefore indispensable as a way of enriching understanding.

The practical experience of the researcher[14] was a critical part of the process of investigation. According to Collier (1994), practical experience allows conjectures to be made. These conjectures produce abstract models, and these models may be experimented and tested, with the results suggesting confirmation, refutation or revision. This method requires a level of understanding of the phenomenon under

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[14] The researcher had the opportunity to work for three years in the HR management department of a Saudi supermarket firm. This assisted him in drafting abstract models for the research.

investigation, some practical experience in the area and of the details of the situation. A knowledge of the socio-historical background of the problem, the country and the industry is needed to understand the development of the concepts, discourse, processes, policies and behaviours.

4.2. Research Design

This section discusses the methodological approach taken in order to answer the research questions presented in the introduction of this thesis (page 23). The section gives a full account of the 'case study' method, and the 'multiple case study/retrospective longitudinal' format used, and presents the justification for, and limitations of, these choices. It also describes the scope of the study, together with the industry chosen for this research (the supermarket sector in the Kingdom of Saudi Arabia). It ends by detailing the mixed methodology adopted in the data collection (using primary/secondary data and quantitative/qualitative data) and data analysis (theory-based and observation-driven analysis) to investigate Saudisation practices.

4.2.1. Multiple Case-Study Method

The philosophical underpinning of any research shapes the research design of the study. A critical realism stance was adopted for this thesis, so several recommended research designs were investigated including qualitative and quantitative methods (Anderson, 2004). After a thorough assessment of different alternatives, the 'case study' methodology was preferred to the other methods as most likely to achieve the purpose of this study. There were two main reasons for this. Firstly, this methodology was most appropriate for the mixed nature of the phenomenon. Secondly, it provided the researcher with the flexibility needed to

investigate Saudisation practices, an emerging concept which has so far had limited theoretical development (Eisenhardt, 1991).

Using a case study as a methodological approach was described by Mills, Durepos et al. (2010) as:

> "A commonly used method among business economists studying firms and organisational behaviour. It can be seen as a special research strategy and approach that can use either qualitative or quantitative data, or even a combinations of them (…). The case data can be either longitudinal or cross-sectional. (…) In the results, the objective is to understand and interpret thoroughly the individual cases in their own special context, and to find information concerning the dynamics and the process." (66)

Yin (2009) also states that:

> "As a research method, the case study is used in many situations, to contribute to our knowledge of individual, group, organisational, social, political, and related phenomenon. Not surprisingly, the case study has been a common research method in psychology, sociology, political science, anthropology, social work, business, education, nursing, and community planning. Case studies are even found in economics …" (4)

In *Research Methods in Human Resource Management* (2004), Anderson mentioned the case study as being one possible approach to the investigation of HR issues, stating that its main advantages are that it studies phenomena in-depth, it accounts for the interaction between factors and events, and it has a broader method of data collection.

The thesis adopts a multiple-case study approach. This implies an approach to several cases rather than just one. In this study, the researcher approached several supermarket chains operating in the kingdom of Saudi Arabia. The research adopted an embedded design, with different levels of analysis embedded within the supermarket industry: the institutional environment around the supermarket industry; the supermarket chains as a whole; and the senior management teams of the firms. Multiple/embedded case study is claimed to be a more compelling and robust format than single case study research design (Yin, 2009). Despite the extensive resources needed to collect data, a 'multiple-cases' research design enables the researcher to replicate the findings of one case in others. This replication logic of the multiple-case study aims to find patterns in the results from the different cases, which is essential if the findings are to be replicated. According to Yin (2009):

"An important step in all of these replication procedures is the development of a rich, theoretical framework. The framework needs to state the conditions under which a particular phenomenon is likely to be found (a literal replication) as well as the conditions when it is not likely to be found (a theoretical replication). The theoretical framework later becomes the vehicle for generalizing to new cases …" (54)

The setting of this study is Saudi supermarket chains in the period between 2003 and 2007. This choice was appropriate for several reasons. Firstly, the supermarket industry is one of the manpower-intensive industries in which Saudisation practices are undertaken most seriously . The reason for the importance of Saudisation in the industry is that most of the workforce are easily inspected by government agencies. In addition, Saudisation legislation has been taken more serious by government agencies since 2000, with major interventions

to encourage Saudisation in the private sector. This makes the cases studied more insightful and provides some rich evidence.

This research chose five cases from a population of about fifteen supermarket chains found in the major cities of Saudi Arabia. The choice of these five supermarket firms was based on maximum variation sampling, in which cases were deliberately chosen to represent different ranges of variation of circumstances in order to capture maximum conditions (patterns) (Patton, 1990). Table 4.1 presents the five cases through their several variant features. For instance, the cases picked are diverse in terms of their year of establishment (from 1979 to 2004), while two cases are long-standing (1990 and earlier) and three are newly established (post 1991).

The researcher also picked two cases from Riyadh (the capital of Saudi Arabia), two from Jeddah (the second largest city in the country) and one from Dammam (the capital of the Eastern Province). The cases represented three different business formats (family-owned chains, joint-stock companies and joint ventures). The cases are of different sizes, in terms of number of stores and of employees. Small chains may have only seven stores, while large chains may have more than sixty stores and aggressive expansion plans. Chapter 5 covers in detail the demographics of the five cases studied.

	Firm 1	Firm 2	Firm 3	Firm 4	Firm 5
Age	Young	Old	Young	Young	Old
Headquarters	Riyadh	Dammam	Jeddah	Riyadh	Jeddah
Ownership model	Family business (FB)	FB (holding group)	FB	FB/joint venture (JV) (2004)	Joint-stock company
Size by number of employees	Medium	Small	Medium	Large	Large
Size by number of stores	Small	Small	Small	Small	Large
Area of presence	Narrow	Narrow	Narrow	Wide	Wide

Table 4.1: Cases Studied and Features Showing Maximum Variation

The thesis also employed a mixed-methods approach. This approach is described by Mills, Durepos and Wiebe (2010) as:

> "A research paradigm that combines specific positivistic elements of quantitative research methods with specific constructivist elements of qualitative research methods. Generally, this approach can be sequential or parallel, with the quantitative and qualitative approaches used alternately or together to investigate the same phenomenon." (561)

This thesis uses a mixed-methods approach at different levels, in the method gathering data (e.g. surveys, interviews), the nature of the data gathered (qualitative and quantitative), and in the approaches to analysis (pattern-matching and explanation-building). The following sections will describe the data collection sources, data collection process and approaches to data analysis.

The thesis also adopts a 'retrospective longitudinal panel design'. This design was adopted initially to show changes in Saudisation practices over time (from 2003 until the end of 2007). The approach matches the time limitations of the study. The retrospective panel design, like any other type of longitudinal research, attempts to measure changes over time; however, the data collection was conducted at one point in time. The main advantage of this approach is that the researcher gains a wider perceptive by using the historical records of events compared to that provided by a cross–sectional approach.

4.3. Data Collection Method

The case-study tradition usually involves examining mixed sources of data. These multiple sources of evidence are seen by some scholars as being essential for an

in-depth understanding of the particular case (Yin, 2009); without this eclectic approach the investigation will be insufficient (Mills, Durepos and Wiebe, 2010). This section focuses on the data collection sources and instruments adopted in this thesis, the basis for the use of these instruments and the ways in which these instruments were used.

When investigating the phenomenon of Saudisation in the supermarket industry, the researcher developed several data collection instruments with which to collect evidence which would support the theoretical framework of the study and provide a comprehensive understanding of the phenomenon. The data collection therefore used both primary and secondary sources of information in order to capture a sufficient amount of data to answer the research questions. This section first presents the data collection instruments which were employed as primary sources and the data collected through each instrument. It then presents the secondary sources used by the research to obtain wider perspectives on the phenomenon.

The researcher employed several data collection tools in order to gather evidence about firms and their Saudisation practices. This section relates to the theoretical framework, and, more specifically, the 'framework measures', presented in the theory chapter above (see pp.101-2). The following section describes the data collection tools used in this thesis, and the measures used with each tool.

4.3.1. Primary Data Sources

The first group of tools was used to gather primary data sources about Saudisation, Saudisation practices, the supermarket industry and supermarket chains. This part of the data collection is important as a way of acquiring an in-depth understanding of the phenomenon and its development. The study used two

main tools, a self-administrated survey and structured interviews (see appendix A for thesis data collection instruments), as described in the following section.

4.3.1.1. Self-Administered Survey

The first primary source used in the research was a questionnaire derived from the theoretical framework discussed earlier. This tool (a self-administered survey) is considered to be the cheapest and least time-consuming way to obtain the required information (Neuman, 2000). It was also the most practical way of accessing archival information including the demographic details of senior management. The questionnaire was completed by members of the HR departments which took part in the study. The instrument was used primarily to capture the organisational and strategic background of each firm, and the demography of its senior management in the period between 2003 and 2007.

The first set of data gathered by the self-administered survey concerned the organisational characteristics and strategic orientation (expansion and value proposition) of the firms participated in the study. The data cover theoretical measures related to the firm's profile (3A) in the framework of this thesis. These variables gave the research a deeper understanding of the context of each firm, and helped to draw conclusions about factors underlying the phenomenon.

The second set of data gathered through the self-administered survey derived from literature on the upper echelons theory of Hambrick and Mason (1984) (see Table 4.2 (3Aj)). These demographic elements were also gathered through a self-administered survey. As Table 4.2 shows, these elements concern the senior management of each firm and include age, education level, background, team tenure, years of experience and area of experience. The survey questions were closed and a multiple-choice format was used.

Stage	Element	Description	Type	Source
Organisational profile (organisational factors): Aspects related to organisational characteristics and strategic position (FP/OF)	Age	Age of the firm from its establishment.	Quantitative	Primary
	Origin	City of origin of the firm	Quantitative	Primary
	Size (number of employees)	Size of the firm according to its number of employees.	Quantitative	Primary
	Size (number of stores)	Size of the firm according to its number of stores.	Quantitative	Primary
	Geographical presence	The geographical presence of the firm's stores (provinces).	Quantitative	Primary
	Expansion strategy	Expansion in number of branches in the period between 2003 and 2007.	Quantitative	Primary
	Strategic focus	Strategic focus of the firm based on available secondary sources.	Quantitative	Primary
Organisational Profile (human agency factors): aspects related to the human resources empowerment in firms (FP/HA)	Ownership setting	The ownership setting based on legal and actual governance.	Quantitative	Primary
	HR department autonomy	The level of autonomy given to HR to determine its functions.	Quantitative	Primary
	Upper echelons demography	Characteristics related to senior management, such as age, tenure and years of experience.	Quantitative	Primary

Table 4.2: Theoretical Measures (Organisational Profile)

It is important to note that in most existing upper echelons research studies, such demographic elements were obtained from secondary sources (eg. Finkelstein and Hambrick, 1990). With the lack of sufficient secondary sources concerning senior

management in the Saudi supermarket industry, this data had to obtain from primary sources (individual firms), as shown in Table 4.3.

Manager Name (optional):
Job Title:
Manager code (Leave it empty please!):
Date of Birth (dd/mm/yyyy):
Nationality:
Joining date (dd/mm/yyyy):
Leaving date (if applicable) (dd/mm/yyyy):
Date of joining the senior management team (dd/mm/yyyy):
Educational level:
Educational background:
Previous functional experience:
Years of international experience:
Date (or year) of first job in career (dd/mm/yyyy) or (yyyy):

Table 4.3: Senior Management Profile Questionnaire

4.3.1.2. Structured Interviews

The other instrument employed to collect data from primary sources was the structured interview. This tool was used to collect data on 'Saudisation practices' the main element in the framework of the thesis. The structured interviews generally aimed to collect data on: 1) the perception, directions and views of the firm conncerning Saudisation practices; 2) the changes taking place in the industry and in individual firms since the start of the policy; and 3) decisions, projects and initiatives related to Saudisation. As shown in Table 4.4, ten practices were scrutinised in the cases studied.

Stage	Element	Description
Saudisation practices: HR practices employed by private firms to achieve Saudisation objectives to attract, retain, and capitalize on Saudi employees. ISP	Compensation and benefits	The financial incentives used by firms to attract, retain and capitalise on Saudis.
	Training	The training provision practised in firms.
	Obtaining HRDF support	Agreements between the firm and HRDF to receive subsidies for the recruitment and training of Saudis.
	Employing women	Using women in the workforce as a way of increasing Saudisation.
	Subcontracting jobs	Using subcontracted workers to increase the aggregated Saudisation percentage.
	Employing part-timers	Using part-time contracts to increase the number of Saudis in firms.
	Targeting new labour segments	Approaching new segments of the labour market to bring more committed Saudis into the firm.
	Meeting the Saudisation percentage	Status of the firm in terms of adhering to the required Saudisation percentage enforced by Ministry of Labour.
	Compliance with restricted jobs	Status of the firm in terms of following the Ministry of Labour's list of jobs restricted to Saudi nationals, such as cashier, security guard
	Career choice and development	The use of career choice and development as a means of attracting, retaining and capitalising on Saudis.
Firm's Saudisation position (FSP)	Position on specific Saudisation practices	The position of the firm on Saudisation practices: lead/develop, acquiesce or defy/manipulate.

Table 4.4: Theoretical Framework Measures (Saudisation Practices)

The interviews were intended to provide a chronological survey of all the events related to the supermarket's attempts to meet the national Saudisation policy. While the interview questions were being drafted, initial interviews were conducted to gain a better understanding of the nature of Saudisation and those Saudisation practices common to the whole private sector. Pilot interviews were conducted by the researcher in December 2006 and January 2007, which targeted key HR managers throughout the private sector focusing on the general themes of Saudisation in this sector. The list of Saudisation practices was shaped further by a thorough review of the available secondary sources concerning the phenomenon of Saudisation. In order to cover the period from 2003 to 2007, a retrospective

technique was also employed in order to recall historical projects and events within individual Saudisation practices. It is important to note here that part of these interviews were conducted in Arabic. That required some translation by the researcher while transcribing these interviews.

As described earlier, the data collected during interviews with each firm was processed by clustering data based on (ten) Saudisation practices. The data was then split into three aspects: the positions of each firm concerning each practice, changes in HR practices, and evidence of these changes. Table 4.5 below shows the process of data categorisation.

Interviews	Layer1	Layer 2		
Raw data from individual firm	Categorise data based on ten Saudisation practices	Current position on individual Saudisation practice	Changes through time in individual Saudisation practice	Evidence that supports position and changes in Saudisation

Table 4.5: Process of Interview Categorisation

4.3.2. Secondary Data Sources

Several secondary sources were required in order to build a comprehensive understanding of Saudisation. Secondary sources were used to collect information on the nature of the Saudi supermarket industry and the institutional environment surrounding Saudisation. Hakim states in *Secondary Analysis in Social Research* (1982) that:

"The value attainable through secondary sources such as population censuses is hard to be achieved otherwise. Moreover, it forces researchers to be more focused on the theoretical and substantive matters rather than get overloaded with unnecessary data collection". (16)

Several censuses and reports produced by the Saudi Arabian Ministry of Economy and Planning were helpful in establishing a contextual understanding of the case studies of this research. These included the *General Population Census and Housing*, *Establishment Census*, *Eighth Development Plan*, and *Human Development Report*. Some unofficial secondary sources were obtained to cover issues related to the industry and its latest development.

It is important to mention that these unofficial sources are less useful to research than the official reports (Hakim, 1982). It was necessary to depend on local newspapers and their coverage of the Saudisation policy and its development. The rest of this section describes these secondary sources and the ways in which they were used in this study.

The secondary sources covered background issues related to the institutional environment. Table 4.6 below shows some of the main issues for which evidence was found in the secondary sources, including regulative, normative and culture-cognitive aspects that are assumed by institutional theory to shape the practices adopted in the industry.

Stage	Element	Description	Type	Source
1. Institutional profile	1a. Regulative factors	Regulative and legal changes in the environment related to Saudisation and Saudisation practices in firms.	Qualitative	Secondary
	1b. Normative factors	Norms (how things should be done professionally) used to achieve Saudisation targets and avoid penalties in the industry.	Qualitative	Secondary
	1c. Culture-cognitive factors	Social perceptions and concepts related to Saudisation and how it	Qualitative	Secondary

		should be approached.		

Table 4.6: Theoretical Framework Measures (Institutional Profile)

4.3.2.1. Establishment Census

The *Establishment Census[15] 2004* was obtained online from the website of the Ministry of Economy and Planning of Saudi Arabia. The census was used to establish a better understanding of the labour market in Saudi Arabia, and in the private sector in particular. The census investigated the private sector in terms of aspects including size and human resources. According to the Ministry's website, the census is "one of the most important tasks undertaken by the Department of Productive Sectors, and is a valuable source for information on all economic activities, number of workers and size of establishment in the Kingdom." (Saudi Central Department of Statistics & Information [SCDSI], *Establishment Census*, 2004).

The census covers private enterprises within all sectors in 158 different cities in the Kingdom of Saudi Arabia, and shows changes in the market between 1993 and 2004. The main objectives of the census are said to be to provide economic data that may assist the private sector, researchers and analysts to improve their understanding of development needs; and to help the identification of patterns within the labour market and their distribution among different economic activities (SCDSI, 2004).

4.3.2.2. Industry (Supermarket) Report

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[15]This source is claimed to be a periodic survey, but the only two surveys available on the official website refer to 1993 and 2004.

As official reports about the supermarket industry in Saudi Arabia are limited, the researcher used a commercial report, *Retailing in Saudi Arabia*, produced by Euromonitor International, which offers detailed insights into the current state of the retail sector in general and the supermarket industry in particular. It also presents the main trends in the industry and the major threats it faces as a result of the global financial crisis. The industrial report also contains valuable information about the market share of each supermarket firm, and the effect of the latest mergers and acquisitions on the positions of individual firms. The report helped the researcher to understand the supermarket industry and the importance of HR to the sector. The report also describes the national Saudisation policy and the ways in which it affects the operation of the industry.

4.3.2.3. Newspapers

The other secondary source used in this thesis was Saudi newspapers. They enabled the researcher to understand the contextual setting of the private sector in the country and the national Saudisation policy. This use of newspapers was part of the researcher's attempt to access all the available documentation about Saudisation. Papers studied included *Al-Eqtisadiya* and *Arab News*, the target audiences of which are businessmen and English speakers, respectively.

The researcher reviewed the online archival records of these two newspapers for the period between 2003 and 2007, focusing on the topics resulting from the search terms 'localisation', 'Saudisation', 'human resources management', 'sanctions', 'part-timers', and 'employment of women'. The results from these search terms were filtered, classified and used in various parts of the thesis. The newspaper review also allowed the researcher more than once to offer some supporting evidence for certain aspects of the study.

4.4. Data Collection Process

The data collection process for this research comprised three main phases: planning, execution and follow-up. This section gives details of these three phases and the difficulties faced by the researcher in each phase and presents some lessons learned from the process. The first phase was that of planning, which started a year before the execution phase. The planning phase included three main tasks: developing the research protocol and the data collection instrument (the self-administered survey and interview questions), and interview scheduling. These tasks were carried out concurrently. By the end of this phase, the researcher had decided to target a population (supermarket chains) in Saudi Arabia. As a result of the online investigation, fifteen supermarket chains were chosen as targets for this study. The second task was to develop a data collection instrument, which was developed and shared with the target firms. Initial contact with supermarket chains was established in September 2007. At that stage, ten firms showed interest in taking part.

The firms were contacted again when a full research package was delivered to their CEO and/or Director of HR. The package included: a letter from the university, a letter from the researcher ensuring the confidentiality of the study, the research objective, the self-administered survey and a sample of the interview questions. The package also asked the firms to secure access time for the researcher to collect the data and conduct the interviews. Provisional acceptance was obtained from eight different supermarket chains. Accordingly, a detailed itinerary was produced for travel to the three regions of the country for the initial data collection process.

The second phase of the data collection process was the execution of the plan. This was constrained by the limited resources allocated, so the researcher assigned himself two months to visit the eight firms. The main challenge was the

geographical distribution of these eight firms. Air travel was essential for movement between the location. Another challenge was that one firm declined to participate for confidentiality reasons. However, the researcher succeeded in visiting seven different firms based in the three major regions of the country. The total time spent in interviewing and collecting other data varied between firms based on their size and level of cooperation. The overall amount of time spent on each site was around 150 hours. On average, four interviews were conducted in each firm, which mainly involved senior managers, human resources directors or managers, Saudisation managers and personnel officers (see Appendix B: List of Interviewees). Employees of all seven firms filled in the self-administered surveys and all the relevant forms were collected during the site visits.

The third and last phase of the data collection process was the follow-up phase, in which the researcher reviewed the collected data, forms, interview notes and recordings. Unfortunately, the outcome of this review revealed that two of the firms had not provided enough information to allow them to be included in the study. Another round of follow-up by the researcher was carried out using emails and phone calls, but both firms refused to provide any further information. This reduced the number of firms in the case studies to five.

To summarise, the data collection process comprised three phases, during which some research and logistical difficulties occurred. For instance, the geographical distribution of the participating firms presented logistical challenges throughout the data collection process, and especially during the execution and follow-up phases. Travelling between the regions to conduct interviews was counterproductive in some points when the researcher had to allocate several weeks to each region despite the low number of interviews arranged, which led to much wasted time.

4.5. Data Analysis Approach

This thesis adopted two of the four analytical strategies suggested by Yin (2009): theoretical propositions and developing case study descriptions. The theoretical propositions shaped the data collection and led the whole case-study investigation. Using the strategy of developing case-study descriptions offered descriptive guidance for the analysis and organisation of the case-study findings. These two strategies combined the structured approach recommended by the theoretical framework of the thesis with a flexible approach to exploration of the case study data (Yin, 2009).

The rest of this section describes the data analysis approaches adopted in this thesis. As explained earlier in this chapter, this thesis follows a mixed methods approach that includes a mixed-analysis technique: namely, pattern-matching and explanation-building techniques. Since the analysis of the data uses both techniques implicitly, a complete explanation of the analysis approach is given below.

At the beginning of the process, the researcher wrote a brief about each firm based on the results of the survey and other secondary sources. This brief was then processed to highlight the characteristics of each firm, its strategic stance (i.e. quality vs. cost orientated), its ownership setting and upper echelons demography. This construct represented the conformational environment according to the framework of the thesis.

The researcher then collected evidence of Saudisation practices in the five supermarket chains using data from the structured interviews. Data for each practice was categorised based on the status of the firm. This extensive amount of detail was interpreted using two main approaches: explanation building and pattern matching.

4.5.1. Explanation Building

The explanation-building technique, as outlined by Yin (2009), was used as an explanation of the case study to develop ideas for further investigation, rather than as a conclusion to the thesis. The researcher consolidated the data about Saudisation practices in order to produce a narrative of the formation of Saudisation within the industry. This narrative was divided into three phases according to changes in each firm's progress towards Saudisation. Through further analysis of the data, a rationale for Saudisation was created to highlight different institutional actors, Saudisation objectives within firms, and the rationale behind individual Saudisation practices.

Using the evidence collected, different Saudisation practices and changes were traced over time. For instance, observable changes were identified, such as that firms apply different practices when they compete for Saudi candidates. This tracing of changes led to a set of explanations for the origin of some industry practices.

The research also traced active actors in the institutional environment, including the Ministry of Labour, and their roles in shaping Saudisation practices. As Rimmon-Kenan (1983) suggests, "characters are part of deep context structure. Characters tie events in a story together and provide a thread of continuity and meaning". The investigation of the actors' roles also came to define three relevant issues: 1) who does what in the institutional environment; 2) the types of pressure they apply to private firms; and 3) the social structure (interconnection) that exists between different actors (Pentland 1999).

The researcher used structured interviews to gather extensive insights into the early stages of Saudisation in the private sector. These insights included industry-

wide elements: events, projects, initiatives and practices related to Saudisation. Some of these elements were explicitly associated by the interviewees with particular changes in the environment, while others had to be further investigated to trace the progression of events, and to pinpoint the relationship between cause and effect. In both cases, the main aim was to answer *why* the changes in HR practice have emerged, and *how* the transition to Saudisation practices has taken place. For instance, the researcher noted the clear emergence of training, as a core part of Saudisation practices. The main explanations offered by interviewees concerned the general rationale for training, such as employee development. However, after another round of investigation, a correlation was found between training in the supermarket sector in Saudi Arabia and the establishment of the Human Resource Development Fund (HRDF). The relationship derives from the fact that the HRDF provides private sector firms with subsidies to support their training programmes for Saudis. This exemplifies the ways in which this thesis builds explanations for phenomena.

It is important to note that a crucial characteristic of the explanation-building technique is that it requires a circular and iterative approach (Yin 2009). Different parts of the process were revisited so that relevant practices, changes in policy and alterations in the environment could be connected in order to offer a more comprehensive explanation of the phenomenon. Separate interviews had to be conducted with extra interviewees in order to reaffirm some observations and to focus on underlying aspects of the phenomenon in order to understand its causes. To summarise, the researcher followed a cycle of investigations and coding steps in order to connect effects with causes and build a cohesive explanation for the phenomenon of Saudisation in the supermarket industry.

4.5.2. Pattern-Matching Analysis

The other approach employed in the analysis of the data was the pattern-matching technique, which according to Yin (2009:136) is "the most desirable technique" when analysing case studies. The technique applies a pattern-matching logic that "compares an empirically based pattern with a predicted one (or with several alternative predictions). If a pattern coincides, the results can help a case study to strengthen its internal validity" (Yin, 2009:136). This part of the analysis was therefore able to answer the research questions about the effect of institutional forces on Saudisation practices in the industry and the factors that have led to variation in the Saudisation practices adopted by individual firms.

During the pattern-matching analysis, the researcher compared the case studies of Saudisation practices in the Saudi supermarket industry with the propositions contained in the theoretical framework. The framework was derived mainly from institutional theory, combined with aspects of upper echelons theory. The general predictions of the framework was summarised in six different propositions (see page 105). The researcher used the patterns generated (organisational profiles and the directions of Saudisation) to examine the validity of these propositions.

The first aim of this part of the analysis was to perform a literal replication by investigating the cases in which the adopted Saudisation practices are diffused through the industry. This investigation was made alongside an examination of the institutional forces in those cases where the Saudisation practices were not diffused. This is called 'theoretical replication' (and is applicable to P1 and P2). The second aim of the pattern-matching analysis was to investigate the factors that led firms to decouple from the Saudisation practices adopted by other firms in the industry. This was based on the propositions suggested by the theoretical framework (P3 to P6).

During the pattern-matching analysis, the researcher used the data collected through primary (survey and interviews) and secondary sources to generate conditions under which to test the thesis propositions. The data was therefore categorised into themes according to: 1) the nature of institutional pressures surrounding different practices (e.g employing women); 2) organisational and human agency profiles; and 3) the adoption or non-adoption of Saudisation practices. These themes were used directly to construe propositions which could be tested. Table 4.7 gives examples of the ways in which data was categorised and arranged to test the propositions (patterns).

Data source	Categorising			Testing (pattern matching)
Primary and Secondary	Nature of institutional pressure.	Organisational and human agency profiles.	Adopted or non-adoption of Saudisation practices.	
	√		√	P1 –P2
		√	√	P3-P6

Table 4.7: Pattern-Matching Analysis

4.6. Research Quality and Limitations

The last section of this chapter presents the considerations of research quality made as part of this thesis, and discusses the general limitations of the methodological approach.

4.6.1. Research Quality

As part of the mixed-methods approach of this thesis, the researcher adopted the trustworthiness criteria of Lincoln and Guba (1985) as a guideline for research quality. There are four criteria: credibility (internal validity), transferability (external validity), dependability (reliability) and confirmability (objectivity). According to Lincoln and Guba (1985:290), the basic aim of research trustworthiness is to determine "how … an inquirer [can] persuade his or her audiences (including self) that the findings of an inquiry are worth paying attention to, worth taking account of". The section covers the four elements of trustworthiness and the measures considered by the researcher under each element.

4.6.2 Credibility

The first item covers the *credibility* of the study, and answers the question "Are the findings "true" for the participants and the context?" The researcher adopted various measures during the data collection and analysis in order to ensure that the data displayed a high level of truth. During the collection of the data, the researcher triangulated the source of the information by combining multiple cases (five firms) and different sorts of evidence (qualitative and quantitative). This triangulation served the purpose of credibility and assisted the researcher in understanding the phenomenon from multiple perspectives. The researcher also used multiple rounds of interviews (pilot interview, main interview and confirmation interview) to confirm and improve the understanding created during previous data collection rounds.

4.6.3. Transferability

The second question about the trustworthiness of the thesis concerns the notion of transferability or applicability. The relevant question is: "How can one determine the extent in which the findings of a particular inquiry have applicability in other context or with other subjects?" (Lincoln and Guba, 1985:290). Transferability, according to Lincoln and Guba (1985), achieves external validity by providing a "thick description" of the relevant case. The researcher, therefore, has attempted to provide the reader with a detailed presentation of the origin and development Saudisation phenomenon, together with related policies, and the response of supermarket firms to these policies. This comprehensive narrative of the phenomenon gives the reader the ability to evaluate the extent to which the conclusions have been generalised to the firms in the industry which have not been studied, as well as other industries, settings and countries. In addition to the 'thick description' reported in this thesis, the researcher studied a range of supermarket firms which were diverse in terms of size, location, age and other factors, making the collected data more representative of the whole industry, and not only of the five firms described.

4.6.4. Dependability

The dependability (or reliability) of the research is the extent to which the findings of the study could be reproduced if the study were conducted again (Lincoln and Guba, 1985). To achieve this quality, the researcher followed both direct and indirect techniques. The indirect technique used was to ensure the credibility of the data collection and analysis. According to Lincoln and Guba (1985):

"Since there can be no validity without reliability (and thus no credibility without dependability) a demonstration of the former is sufficient to establish the latter. If it is possible using the techniques outlined in relation to credibility to show that a study has that quality, it ought not to be necessary to demonstrate dependability separately." (316-7)

The researcher also engaged several levels of external auditing to assess the findings and analysis. They were first reviewed by three different managers in the supermarket industry to confirm the overall understanding of the phenomenon and the main changes in Saudisation at a policy level. The research was then presented to the researcher's doctoral supervisors who evaluated whether the findings, analysis and conclusions of the study were well supported by the data. Finally, two external examiners were elected to further evaluate the reliability of the whole thesis.

4.6.5. Confirmability

The last element of trustworthiness is the confirmability of the research, also known as objectivity or neutrality. This answers the question: 'How much have the researcher's biases and perspectives influenced the findings?" (Mills, Durepos and Wiebe, 2010:242). The researcher used several techniques to ensure the confirmability of the study, including triangulation of the data sources that minimised the bias of the research by replicating the same investigations in multiple firms and, in some cases, at different times. By presenting the findings and analysis to several supermarket managers at the end of the study, the researcher applied the "conformity audit" suggested by Lincoln and Guba (1985), in order to reduce any possible subjectivity in the findings and analysis of the case studies.

4.7. Concluding Remarks on Methodology

This research aims to gain a greater understanding of HR Saudisation practices in the supermarket industry. The study examined five firms and the ways in which they have adopted different Saudisation practices. This chapter has presented critical realism as the philosophical stance of the study, and the multiple case study method of Eisenhardt (1991) and Yin (2009) as its research design. The chapter also described the mixed-methods approach employed in data collection and analysis.

The next chapter presents the findings of the study in detail. It includes a country profile of Saudi Arabia, and examines, in particular, the Saudi private sector and supermarket industry. It also desceibes the background and general Saudisation practices of the five firms.

Chapter Five: Findings

Five supermarket firms participated fully in this study. This chapter builds a crucial foundation for the analysis section of this thesis (Chapters 6 and 7), and presents a profile of each firm, based on the self-administered survey. It then describes the Saudisation practices adopted in the five firms. The aim of this chapter is to provide the reader with a clear picture of the five firms and the Saudisation efforts they attempted. These findings will be investigated further during the discussion and analysis chapters.

5.1. Background and Definitions

This section aims to provide the reader with the contextual background of Saudi Arabia through an examination of its overall economy, labour market and the structure of the private sector (the supermarket industry, in particular), together with an outline of the National Saudisation Policy (NSP). The section also offers some working definitions, related to Saudisation and to this research in particular, of terms including 'Saudisation practices' and 'Saudisation quota'. The section is then able to define the research problem and the importance of the case under investigation.

5.1.1. Profile of Saudi Arabia

This section presents the economic background of Saudi Arabia and the major turning points in its recent history. It then describes the labour market in the country, and the emerging trends and imbalances in its demographic structure. It ends with a brief outline of the historical background of the private sector in general and the supermarket industry in particular.

The Kingdom of Saudi Arabia comprises four-fifths of the Arabian Peninsula with a total area of over 2,250,000 square kilometres, approximately equivalent to one fifth of the area of the USA (CIA World Factbook, n.d.). The country is located in the south-western region of Asia. The capital city, Riyadh, is located in Najd, the Central Province. The two holy cities of Makkah and Madinah are located in Hijaz, in the Western Province (Royal Embassy of Saudi Arabia. London, n.d.). The country is divided into thirteen regions: Riyadh, Makkah, Hai'l, Qassim, Tabuk, Madinah, Bahah, Jawf, Northern Borders, Jizan, Asir, Najran and the Eastern Region. The current Saudi state was founded by King Abdulaziz Al-Saud in 1902 and was renamed the 'Kingdom of Saudi Arabia' in 1932. Its domination of the region was further empowered by the discovery of oil in March 1938. This was the most important economic and social turning point in the history of the region as a whole (http://www.bbc.com/news/world-middle-east-14702705).

The Basic Law of Government adopted in 1992 declared Saudi Arabia to be a monarchy ruled by the sons and grandsons of the first king, Abdulaziz Al-Saud. It proclaimed the Qur'an to be the basis of the constitution of the country, which is governed on the basis of the Islamic law, *Sharia*. The country follows a form of absolute monarchy whereby the King of Saudi Arabia is both head of state and head of government, although decisions are made on the basis of consultations with senior princes, the King functioning as ultimate arbiter. Nonetheless, the king's power is limited within the bounds of Shari'a. He also must retain a consensus of the Saudi royal family, religious leaders (*Olama'a*), and other cultural traditions of the country (*CIA World Factbook*, n.d.).

Since 1953, Saudi Arabia has developed a central government represented by the Council of Ministers, appointed by the king. The role of the council is to formulate general policy and to direct the activities of the various bureaucracies. The Prime Minister leads this council, which since 2005 has consisted of twenty-

nine ministers. The Consultative Council, appointed by the King, has limited legislative rights. The justice system is administered according to Shari'a by a system of religious courts, with judges appointed by the king on the recommendation of the Supreme Judicial Council, which is composed of twelve senior jurists. The independence of the judiciary is protected by law, and the king acts as the highest court of appeal with the power to pardon (BBC Country Profile, n.d.).

Economically, Saudi Arabia is the world's largest oil exporter and it possesses 25% of the world's proven oil reserves. Oil represents 45% of the budget revenue of the country, 55% of its GDP and 90% of its export revenue. Saudi Arabia is one of the key players in the Organisation of Petroleum Exporting Countries (OPEC). The Saudi economy, therefore, is heavily dependent on oil (BBC Country Profile, n.d.).

The country has strong control over its economic activities. Saudi Aramco, the state-owned national oil company, the world's largest corporation in terms of oil reserves and production, produces 95% of the country's oil. The government owns 70% of the petrochemicals corporation SABIC (Saudi Arabian Basic Industries Corporation), the largest public company in the country and (in 2008) the largest Asian company in terms of market capitalisation (*Arab News*, October 5, 2009). This control over the economy extends to the private sector, with the government closely regulating its operations. The private sector is continually growing and currently represents 44% of the country's GDP (*CIA World Factbook*, n.d.).

However, despite Saudi Arabia's economic position, the country has been striving since the 1970s to diversify its sources of revenue in order to sustain its economic prosperity and limit its reliance on oil. In the Fourth Five-Year Development Plan (1985-1990), for instance, the government encouraged the private sector to grow

as a source of economic diversity by offering it financial support and incentives. By 1987, the private sector had grown and represented 70% of the country's non-oil GDP (AMEinfo, October 31, 2007). The Sixth Five-Year Development Plan (1996-2000) openly called for a reduction in the country's dependence on oil, achieved through a strengthening of the private sector. However, this was accompanied by the introduction of the concept of Saudisation, with the aim of increasing the representation of Saudi nationals in the private sector. In the Seventh Five-Year Development Plan (2000-2004), the government projected private sector growth of 5.04%. As a result, the plan proposed the creation of 817,300 new jobs for Saudis in the private sector (AMEinfo, 31-10-2007).

The country has two industrial cities: Jubail and Yanbu. Those two cities contribute to the economy of the country through hydrocarbon-based and energy-intensive industries. Jubail has seventeen basic industry plants, sixteen secondary plants and a hundred support plants. In 1999, the city had around 70,000 full-time residents; by 2006, there were 94,000. Yanbu has eight basic industry plants, eleven secondary plants and 33 support plants (Saudi Embassy, 2010). In addition to those relatively old industrial cities, the country is establishing four new economic cities. All these cities are already planned and under construction. The total cost of the four economic cities is US$60 billion, and it is projected that the four cities will offer over one million new job opportunities and a US$150 million contribution to the country's GDP. It is assumed that these new cities will eventually have more than five million full-time residents (Saudi Arabian General Investment Authority [SAGIA], 2010).

5.1.2. Features of the Saudi Labour Market

With the discovery of oil in the 1970s and the country's rapid economic growth, drastic changes started to appear in its labour market, as a demand for new jobs and skills started to emerge. This phenomenal transformation in the nature and

scope of the labour market was disrupted by a mismatch with the qualifications and skills of Saudi nationals. As a result, the government had to rely on foreign resources in fulfilling the escalating need for labour. As a result, a large influx of foreign labour took place in the 1980s (Al-Humaid, 2003). According to Farjani (1988), more than 25% of the world's twenty million migrant workers in the 1980s were employed by a GCC (Gulf Co-operation Council)[16] country. The non-Saudi workforce grew by 16.5% between 1975 and 1980, while the Saudi workforce increased by only 2.4% during the same period (Al-Zalabani, 2004). Moreover, the majority of Saudi nationals were employed in the public sector, attracted by competitive wages and easier working conditions (Azzam, 1997).

The second turning point in the development of the Saudi labour market was a result of the sudden glut of oil in 1986, when oil prices decreased to US$10 a barrel, compared to US$35 in 1980. This drastic fall was a harsh wake-up call for the country, and as a result, the Saudi government was urged to restructure its economy and change the demography of its labour market. This restructuring included a diversification of the economy and greater investment in human resources. In the late 1980s and early 1990s, the government began to demand that the private sector should employ Saudis (Mellahi and Wood, 2002). This new direction superseded the existing labour market segmentation in which Saudi nationals were more likely join the public sector and foreign workers to join the less attractive private sector. However, despite the new instructions from government, until the mid-1990s 60% of private sector workers were non-Saudis (Mellahi and Wood, 2002).

In addition to this demographic imbalance in the private sector workforce, the public sector was becoming oversaturated, and unemployment was rapidly increasing. According to a report from the Saudi American Bank (2000), the

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[16] The GCC is a group of six countries: Saudi Arabia, the United Arab Emirates, Kuwait, Oman, Qatar and Bahrain. According to the GCC charter, its, "basic objectives are to effect coordination, integration and inter-connection between Member States in all fields …".

estimated unemployment rate among Saudi men aged between 20 and 29 was 15-20%. This did not include unemployment among Saudi women[17], which, according to official figures, was around 28% (Hussain, 2008)[18].

The Saudi labour market is a dualistic market with clear distinctions between the public and the private sector, Saudis and non-Saudis, and men and women (Mellahi and Wood, 2002). The segmentation of the labour market results from labour law, wage levels and educational opportunities (Mahdi, 2000). Another feature of the Saudi labour market is its rapid growth in the last decades: total employment in the Kingdom increased from 5.24 million in 1980 to 7.18 million in 2006 (Diwan and Girgis, 2002). Nevertheless, Saudis still dominate the public sector, while non-Saudis dominate the private sector, providing 52% of its workforce (Alzalabani, 2004). Moreover, small private companies, with fewer than twenty employees, employ 75% of the foreign workers in the private sector (Al-Humaid, 2003). According to statistics from the General Organisation for Social Insurance (GOSI), subscribers from the private sector consisted of 9.8% Saudis (898,901) and 90.2% non-Saudis (8,237,693) (General Organisation for Social Insurance [GOSI], 2007). These figures reflect a more accurate picture of the demographic imbalance within the private sector, which is heavily in favour of non-Saudis.

The Saudi labour market has another distinctive characteristic. There are no trade unions in Saudi Arabia and strikes are illegal (Alzalabani, 2004). The government does not allow the formation of any form of trade union or any lobbying (Euromonitor, 2009). These practices were replaced in the country by the provisions of the 1937 labour law, in which the relationship between the employee and the employer was formally addressed (1978). The law was altered in 1942, 1947 and 1969 (Alzalabani, 2004). In 2005, a new labour law was introduced

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[17] Generally speaking, women are still not a major part of the workforce in Saudi Arabia (Taylor 1978)
[18] http://www.aleqt.com/2008/03/15/article_11825.html

which paid special attention to employee rights (Al-Watan, 26 October 2005). In 2001, the government approved the establishment of employee committees for firms with one hundred employees or more. Such committees represent the employees within the firm;, while the committee members are elected by the workers (Alzalabani, 2004). However, the most recent research into this area shows that at the end of 2009, only fifteen such committees had been formed in the whole country (Euromonitor, 2009).

5.1.3. Challenges for the Saudi Labour Market

One of the main challenges facing the Saudi labour market is unemployment among Saudi nationals. The government initially assumed, from the history of the labour market, that the expansion of the public sector would accommodate the growth in the Saudi population. Saudis were therefore all attracted to the public sector, seeing it as the default employment choice. Figures show that public sector manpower more than doubled from 300,000 in 1983 to 750,000 in 1999 (Diwan and Girgis, 2002). Prior to 1984, Saudi graduates were forbidden by the government from joining the private sector, as government jobs were all filled by graduates. The massive growth in the number of graduates meant that the public sector became unable to accommodate such an increase in labour market supply. As a result, the private sector appeared to be the natural alternative to the public sector as an employer. The private sector, at that point, was dominated by cheap foreign labour (Alzalabani, 2004; Diwan and Girgis, 2002). Over time, the public sector became less able to cater for Saudis, leading to high unemployment in the country.

This turbulence of supply and demand in the labour market caused Saudi unemployment rates to soar. In 2000, *The Economist* estimated that economic growth of 6% would be required to cope with the excess supply of Saudi nationals (Mellahi and Wood, 2002). Despite high oil prices, GDP growth remained at 3.1%

in 2006/2007, rising to 5.1% in 2008 (National Commercial Bank [NCB], 2011). This growth in GDP led to a growth in market demand for labour, which increased from 1.103 million in 1970 to 7.176 million in 1999 (Alhumaid, 2003). This level of growth did not reach the 6% required, which led to a lack of job creation. In addition, the Saudi population grew from 5 million in 1970 to more than 21 million by 1999.

The increased demand in the labour market also led to other challenges. As an oil-based economy, Saudi Arabia invested more in capital-intensive corporations related to oil and petrochemicals, which affected job creation. According to the former President of the World Bank, James Wolfensohn, in a speech at the second annual Silatech Summit in Doha, Qatar:

> "It's a daunting challenge in this region because we're not creating jobs quickly enough. The numbers vary [between countries] but it's somewhere between five and seven million jobs that need creating every year, and we have a backlog of young people that are already unemployed." (*Arabian Business*, 9 June 2009)

Job creation has formed an important part of Saudi Arabia's five-year development plans. For instance, the Ninth Development Plan projected the creation of 1.1 million jobs by 2014 (Saudi Ministry of Economy of Planning, 2010). However, the supply side of the Saudi labour market has become more problematic and harder to tackle. Labour supply has been increasing since the 1980s at a steady pace. In 1999, the level and output of Saudi Arabian education was found to be higher than the regional averages of Latin America, Africa, the Middle East and China (Diwan and Girgis, 2002). The output of the education system has massively improved for both men and women. The level of graduation for both sexes has increased by 13.5% from secondary schools, and 14.2% from higher education. Participation in vocational training has increased by a factor of 22 since 1970 (Saudi Ministry of Economy of Planning, 2010). The involvement

of women in the labour market has also risen from 5.4% in 1992 to 15.45% in 2000. While this level of involvement is considered low by international standards, this increase in the supply of female labour added greater competition and greater pressure to the situation (Mahdi, 2000).

While the market is over-supplied with Saudis, a clear mismatch was reported between the qualifications of Saudi nationals and the demands of the labour market (Diwan and Girgis, 2002). According to Mahdi (2000), Saudis prefer higher education to technical and vocational training, when the latter might be more appropriate to market demands. Most university graduates specialise in social sciences and religious studies, which the private sector does not often require. In addition to the mismatch of qualifications, there was also a large dropout rate from education that resulted in low-skilled and poorly motivated young Saudis, who were hard to employ. In 1995 alone, there were more than 45,000 dropouts with low levels of readiness for the market (Alzalabani, 2004).

5.1.4 The Saudi Private Sector

The private sector in Saudi Arabia has seen significant development since the country's first development plan in 1970, and has grown from SAR54.3 billion in 1969 to SAR465.4 billion in 2008. This growth was accompanied by an increase in the sector's contribution to GDP. The report *Achievement of the Development Plans* (26th issue) stated in 1969 that the private sector contributed 34% of the country's GDP, while this had increased to 54.9% by 2008. The sector's contribution to the non-oil sector rose from 67.7% in 1969 to 76.3% in 2008. The growth of the private sector during this period was higher than the overall GDP growth of the country: while the former grew by 5.7%, the latter grew by 4.4% (Ministry of Economy and Planning, 2009).

The size of the trading sector, which contains the supermarket industry, grew very strongly, from SAR4 billion in 1969 to SAR70.7 billion in 2009, with an average growth of 7.6 per cent (Ministry of Economy and Planning, 2009). As that year's private enterprises census reported, the number of wholesale and retail establishments in 2004 was 333,970 companies, amounting to 47.8% of the overall number of private enterprises. These enterprises employed 952,090 people, in an overall private sector workforce of 3,069,944. In other words, wholesalers and retailers employed over 30% of the manpower in the sector. This reflects both the size of the industry and its importance as a major user of human resources in the country. However, only 17% of those employed in the wholesale and retail sector were Saudi nationals (SCDSI, 2004).

This massive growth in the private sector has been a key factor in the country's development in recent decades. The total workforce increased from 1.35 million in 1969 to 6.84 million in 2008. At that stage, the private sector, including the oil industry, represented 85% of the country's overall workforce. The number of Saudi nationals employed doubled from 1.2 million in 1984 to 2.74 million in 2008. Average growth during the same period was 3.5%. Moreover, the Eighth Development Plan (2005-2009) envisioned that the private sector would provide 87.8% of projected job creation in the period of the plan (Ministry of Economy and Planning, 2009).

5.1.5. The Retailing and Supermarket Industry in Saudi Arabia

As Euromonitor reported in 2010, the Saudi retail industry was still growing in 2009. As Table 5.1 shows, it grew in value from SR154,286.6 million in 2004 to SR226,020.1 million in 2009. This was the result of both an increase in consumer demand and rising prices in Saudi Arabia. Overall growth in the industry in 2009 was 6%, with 9 per cent growth in the grocery retail sector. The industry is

prepared for further expansion in the near future through an increased number of outlets, as well as mergers and acquisitions.

As a result, the number of retail outlets is projected to increase by 1% per annum. According to *Retail International* magazine, the retail industry in the GCC countries saw very strong growth in 2010, with an expected growth in number of outlets in the Saudi market of 125%. While the whole industry was approaching maturity, major players including Al-Azizia Panda and Al-Othaim were trying to consolidate their existing business and to maintain market share (Euromonitor, 2010). At that time, Al-Azizia Panda had the largest single market share in the country with around 4% of total retail sales.

(SR)	2004	2005	2006	2007	2008	2009
Retail sales	154,286.6	163,596.7	173,988.0	190,688.0	213,703.2	226,020.1

Table 5.1: Retail Sales in Saudi Arabia 2004-2009 (Source: Euromonitor, 2010)

In recent years, the culture of shopping malls has begun to replace that of traditional shops in Saudi Arabia, with major retailers and supermarkets leading this trend. Most newly developed malls have a large supermarket or a hypermarket, food courts and hundreds of smaller retail stores. Shopping malls have moved the shopping preferences of Saudis towards the one-stop shop experience and encouraged more development of such malls. According to the estimate of the 2010 Euromonitor report, in 2009 there were more than five hundred shopping malls in Saudi Arabia, with about 150 more under construction. This growth in shopping malls is taking place alongside that of the hypermarket concept.

Table 5.2 shows the increase in sales volume of grocery retailers in Saudi Arabia. The table reflects the growth in the hypermarket and supermarket formats:

SAR5,456 million (GBP909 million) for hypermarkets in 2004, rising to SAR13,190 million (GBP2,198 million) in 2009. Sales iin supermarkets increased from SAR12,725 million (GBP2,120 million) to SAR19,535 million (GBP3,255 million) during the same period. These figures indicate the overall growth in the industry and demonstrate the new position of the hypermarket concept in the country.

(SR)	2004	2005	2006	2007	2008	2009
Retail grocery sales	54,729.20	56,996.30	59,495.40	64,360.50	72,442.30	78,905.70
Hypermarkets	5,456.00	6,428.00	7,992.00	9,390.60	11,550.40	13,190.60
Supermarkets	12,725.00	13,670.00	14,240.00	15,692.50	17,889.40	19,535.30
Small grocery retailers	25,234.80	25,161.30	25,121.20	26,275.30	28,234.60	30,011.80

Table 5.2: Retail Grocery Sales in Saudi Arabia 2004-2009 (Source: Euromonitor, 2010)

Table 5.3 presents growth in hypermarkets and supermarkets in the country. The figures show healthy growth rates of 41.8% and 23.9% respectively.

	2009/2014 (%)
Growth in grocery sales	21.1
Growth in hypermarkets	41.8
Growth in supermarkets	23.9

Table 5.3: Growth Forecast for Saudi Grocery Retailing 2009/2014 (Source: Euromonitor, 2010)

The 2010 Euromonitor report also states that the retailing sector is growing in terms of number of jobs. As shown in Table 5.4, the number of people employed in the retail sector grew from 347,000 in 2004 to 420,000 in 2009. This growth increased the level of retail employees in the country from 5.1% to 5.4% in 2009.

('000)	2004	2005	2006	2007	2008	2009
Total employment in the country ('000)	6,761.40	7,038.50	7,281.80	7,498.40	7,691.70	7,837.40
Employment in food retailing ('000)	347.4	355.9	365.4	384	412	420
Employment in food retailing (percentage of total employment)	5.1	5.1	5	5.1	5.4	5.4

Table 5.4: Employment in Saudi Arabia vs. Retail Industry 2004-2009 (Source: Euromonitor, 2010)

The retail industry has experienced a period of major consolidation, which was led by the largest players in the market in order to maintain their position and market share. As Table 5.5 shows, in 2005 there were five major players in the grocery market, each of them having at least 1% of total market share: Al-Azizia Panda, Al-Othaim, Bin Dawood, Saudi Marketing Co. (Farm Stores), and Giant Stores[19]. However, by 2009 Giant Stores (the third largest in 2005) had been acquired by Al-Azizia Panda, and a new player, Majid Al-Futtaim Hypermarkets – Carrefour, had joined this group. The biggest player in these five years was Al-Azizia Panda which extended its market share from 3.8 per cent in 2005 to 10.5% in 2009. This massive growth resulted from two major mergers and acquisitions carried out by the company. However, Carrefour succeeded in increasing its market share form 0.4% in 2005 to 1.4% in 2009, using the hypermarket concept and so became the fourth largest player in the Saudi grocery market. These massive consolidations and expansions reduced the market share of the country's other grocery retailers from 83.3% in 2005 to 75% in 2009.

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[19] Three out of these five firms were included in the case studies of this thesis.

	2005	2006	2007	2008	2009
Al-Azizia Panda United Inc.	3.8	4.6	5.6	9	10.5
Al-Othaim Commercial Group	2.6	3.1	3.6	4	4.1
Bin Dawood Group	1.9	2	1.9	2.1	2.2
Majid Al-Futtaim Hypermarkets LLC	0.4	1.1	1.1	1.5	1.6
Saudi Marketing Co.	1.3	1.3	1.3	1.3	1.4
Al-Sadhan Trading Co.	0.5	0.5	0.7	0.7	0.9
Meed Trading Co.	0.7	0.7	0.7	0.8	0.8
Al-Raya Markets Trading Co. Ltd.	0.6	0.7	0.6	0.6	0.8
Watani Supercenters Co. Ltd.	0.5	0.5	0.6	0.6	0.7
Arabian Marketing Co.	0.8	0.8	0.7	0.6	0.5
Arabian Food Supplies Co. Ltd.	0.2	0.3	0.2	0.2	0.2
Herfy Bakery Shops	0.1	0.1	0.1	0.2	0.2
Matjar Al-Mutahlik Co.	0.1	0.1	0.2	0.2	0.2
National Agriculture Marketing Co.	0.1	0.2	0.2	0.2	0.2
Family Choice Trading	0.2	0.2	0.2	0.2	0.2
Saudi Fisheries Co.	0.1	0.2	0.2	0.2	0.2
Patchi SAL	0.1	0.1	0.1	0.1	0.2
Saudi Automative Services Co.	0.1	0.1	0.1	0.1	0.2
Western Bakeries Co.	0.1	0.1	0.1	0.1	0.1
Giant Stores Co. Ltd.	2.3	2.2	1.9	-	-
Others	83.3	81.3	79.8		75
Total	100	100	100	100	100

Table 5.5: Market Share of Grocery Retailers: Percentage Value 2005-2009 (Source: Euromonitor, 2010)

5.2. Profiles of Firms

This section presents the profiles of the firms studied, focusing on two main areas. The first comprises the characteristics and strategic stance of the firm. The characteristics of each firm include its age, size (in terms of both number of employees and number of stores), place of origin and regional presence. These characteristics help to articulate the corporate and business strategic stance of our

five firms. The second area covers the human agency factor, comprising each firm's ownership setting, upper echelons demography and level of autonomy of the HR department.

5.2.1. Characteristics and Strategic Stance of the Firms Studied

This section will first discuss the characteristics of individual firms, and then the strategic stance of each firm. The characteristics of the firm will be presented, as shown in Table 5.6, using five pieces of data: the year of establishment, place of origin (head office location), the number of employees in 2007, the number of stores in 2007, and the areas of presence in 2007. The strategic stance will also be examined through changes in size (measured both in number of employees and number of stores), changes in geographical presence, and the ways in which the firms differentiate themselves through their official communications material.

Firm 1 was established in 1995, as a supermarket chain, and claims to be the oldest food retailer in the country (according to Firm 1's website, visited on 1 July 2010). The firm originated as a family business (FB) in Riyadh, the capital of Saudi Arabia, which contains a conservative community. In 2007, Firm 1 had 2,014 employees working in seven supermarkets and/or hypermarkets. These seven outlets were all located in the same region (Riyadh Region). During the five years studied (2003-2007), the firm had gradually expanded at a similar pace to the other chains. The rate of change in the number of stores was 0.29, slightly below the mean for the five firms of 0.35. While the firm only added two extra stores, it increased its employees by 65%, which might reflect the nature of the expansion it was experiencing (into the hypermarket and shopping malls format). The expansion operation did not occur across the region, as the firm was already operating in Riyadh. However, the firm has positioned itself as a national player. As it stated on its website, the vision of the chain is "to be one of the best food

retailers in the kingdom, through offering the best customer services" (Firm 1's website). The firm's mission statement emphasises the main values of the firm as follows:

> "Through full knowledge of the needs of our customers and hard work in building strong partnerships with our suppliers, we offer our customers the best value for money on a wide range of high quality products, both locally manufactured and imported, in a unique shopping experience."

In their brief introduction to the website, 'About Us' the firm asserts its active role in society by stating that:

> "We play an active role which serves society. For instance, we train talented young Saudis and open our doors to employ them. This results from our belief that we can do a great deal to help these individuals have a prosperous future, and also help society at large" (Firm 1's website, visited on 23 January 2011)

Firm 2 was founded in 1979 in Dammam, in the Eastern Region, which is considered to be less conservative than the Riyadh Region. Its year of establishment means that it is one of the oldest chains studied. Firm 2 is a family-owned business with 1,160 employees working in ten different stores in Riyadh and Dammam. It also previously had a store in Jeddah, but this was closed in the 1990s. The firm did not expand its operation in the five years studied. The firm described its business strategy as follows:

> "To supply the consumer with the widest choice of products, of the highest quality, with superior service, at a fair price" (Firm 2's website)

Firm 3 is a small-scale chain which was established in 1993 in Jeddah, in the Western Province. Jeddah is considered a relatively liberal city. The firm undertook three mergers and acquisitions of other supermarket chains in 1995, 2000 and 2002. At the end of 2007, the firm had seven stores operating in Riyadh and Jeddah, and ambitious plans for expansion. During the five years investigated, Firm 3 expanded by adding two hypermarkets, increasing their workforce by 68% and the number of employees to 2,200. The expansion to Riyadh by a firm which originated and has predominantly operated in the Western Province reveals part of the firm's corporate strategy. At a functional level, Firm 3 has positioned itself as 'a company with the vision of providing the best service and the highest quality of products to customers' (Firm 3's website).

Firm 4 is the youngest chain included in this study. The firm was established in 2004 as a joint venture (JV) between a French supermarket chain and a family-owned business. The headquarters of the firm is in Riyadh. It started with one hypermarket in 2004, and by the end of 2007 the chain had seven hypermarkets and more than 3000 employees. The operation of the firm expanded rapidly to include three major Saudi cities: Riyadh, Jeddah and Dammam. The major expansion of the firm, with an 86% increase in the number of stores, and an 87% increase in the number of employees, has meant that its growth rate has been higher than the average for the rest of the industry.

This aggressive expansion in the number of stores and employees was accompanied by an expansion of geographical presence that exceeded that of three of the other four firms studied. This was praised by the chairman of the Chamber of Commerce in Qasim (a region neighbouring Riyadh):

> "Through its geographical expansion, [Firm 4] is playing an important role in creating jobs for young Saudis in different regions of the country. That

demonstrates the active part the private sector is playing in reducing unemployment." (*Al-Eqtisadiya*, 5 July 2006)

The firm's business strategy could be seen in the statement of the CEO when he claimed that:

"[Firm 4] is working diligently to raise the level of service to its customers and continually improve its outlets and promotional offers. This is what recently enabled the company to win three independent awards: Best Business in the Retail Industry in Saudi Arabia 2005, Best Retailer in the Middle East 2006, and, most recently, in Dubai, UAE, Best Hypermarket in the Middle East." (Al Eqtisadiyah, 9 November 2007)

Firm 5 is the last firm in this case study, and was established in 1979. Through a series of mergers and acquisitions, Firm 5 has become one of the largest supermarket chains in the country[20], and is part of a joint-stock company (JSC) with its headquarters in Jeddah. At the end of 2007, this chain operated 61 stores located in six different regions (Jeddah, Riyadh, Dammam, Abha, Madina and Tabuk) in four major provinces (the Southern, Western, Eastern and Northern). In the five years surveyed the firm expanded its operation by 34%, from 40 to 61 stores, with a 67% increase in workforce. The geographical presence of its operation increased by two new regions. This expansion (in both numbers and locations) made it one of the most dynamic supermarket chains in this study. This operational strategy for expansion was enhanced through attention to Saudisation. The CEO of the firm stated in news reports that:

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[20] The firm acquired two supermarket chains in 2008 and 2010 which made it the largest chain with more than 20,000 employees and 152 stores nationwide. This represented a market share of 8 % of the food retail industry.

"[Firm 5] is on track to achieve its aggressive expansion plans that include access to a hundred supermarket branches and thirty hypermarkets by the end of 2010. … It is showing leadership in Saudisation in its sector, with around 41%, comprising more than 3300 employees" (*Al-Eqtisadiya*, 9 November 2007)

	F1	F2	F3	F4	F5
Year of establishment	1995	1979	1993	2004	1979
Geographical origin	Riyadh	Dammam	Jeddah	Int./Riyadh	Jeddah
Owners present	1	3	2	0	0
Nature of ownership (2003)	Family business (FB)	FB (holding group)	FB	FB/JV (2004)	Joint-stock company
Nature of ownership (2007)	FB (HG)	FB (HG)	FB	FB/ JV	JSC
Number of employees (2003)	714	1160	700	405 (2004)	2619
Number of employees (2007)	2014	1160	2200	3126	8182
Change in number of employees	0.65	0	0.68	0.87	0.67
Number of stores (2003)	5	10	5	1 (2004)	40
Average number of employees/stores (2003)	142	116	140	405	65
Number of stores (2007)	7	10	7	7	61
Average number of employees/stores (2007)	287	116	314	446	134
Change in number of stores	0.29	0	0.29	0.86	0.34
Head office location	Riyadh	Dammam	Jeddah	Riyadh	Jeddah
Number of zreas of Presence (2003)	1	2	1	1 (2004)	4
Number of zreas of Presence (2007)	1	2	2	3	6
Areas of presence (2007)	R[21]	R and D	J and R	R, D and J	R, J, D, A, M and T

Table 5.6: Characteristics of Firms

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[21] R: Riyadh; D: Dammam; J: Jeddah; A: Abha; M: Madina; T: Tabuk

The firms presented above represent a wide range of supermarket chains (giving maximum variation). Two firms were established over thirty years ago, another two in the 1990s and the newest was established as recently as 2004. The firms originated in three different cities (Riyadh, Jeddah and Dammam), which implies social and cultural diversity as well as a range of conservative and liberal views on the employment of women. These variations in age and origin reflect the conditions in which these firms were established, and their social views. Another distinction between the five firms being studied is the difference in their size and geographical presence. They range from small firms with seven branches in one region, as in the case of Firm 1, to a large firm with 61 outlets in six different regions, such as Firm 5.

The data suggests an apparent deviation in corporate and business strategy between the firms. For example, the average number of employees per store revealed major differences in the size of stores owned by the firms. Firm 4 appeared to be focused on the hypermarket format, with 405 to 446 employees per store. However, the oldest firms (Firm 2 and Firm 5) generally have smaller stores with around a hundred employees in each one. The change in employee and store figures during this period shows the nature of the expansion embraced by each firm (i.e. supermarkets versus hypermarkets). The majority of the firms (Firm 1, Firm 2 and Firm 3) claimed that quality and range of products is key to their success. Firm 4 and Firm 5, however, focused on price and promotional offers. Some firms promoted their work on Saudisation (Firm 1, Firm 4 and Firm 5) while the others did not.

As presented in table 5.6 the characteristics of each firm varies from one another in different ways. This variation suggests a differentiation in each firm approach in responding to Saudisation. Both the meaning of variation and the resulted differentiation are thoroughly discussed in chapter 7.

5.2.2. Human Agency Factors

This part examines human agency factors in the five firms. The notion of human agency is extended to cover each firm's ownership setting, upper echelons demography (UE) and the autonomy of its human resources department in decision-making. The ownership setting is measured here through the nature of the firm's ownership, and the presence of the owner(s) on the board of directors. The UE demography in firms derives from eight different measures: the number of UE members, their average age, average tenure, average education level and years of UE experience, the percentage of Saudi managers in the UE team, the heterogeneity of their education background, and their functional experience. The autonomy of the human resources department was assessed by investigating two questions. Is the HR director/manager of the firm/business unit part of the managing director's team? (and) What is the role or position of the HR director or manager compared to other functional directors?

5.2.2.1. Ownership Setting

This subsection compares the ownership settings of the five firms. They will be assessed using the nature of ownership of the firm and the presence of the owner(s) in the managing team of the chain. According to the data collected, all the firms were family-owned businesses with the exception of Firm 5, which is a joint-stock company. As a result, the level of autonomy in Firm 5 was higher than that of the other firms. However, the family-owned firms in the case study themselves have a variety of legal settings. At the end of 2007, Firm 1 and Firm 2 each became part of a holding group, which gave both managements more autonomy than that of Firm 3. Firm 3 is the only business under direct owner supervision. Firm 4 is a family business in a joint-venture relationship with an international supermarket chain, which is designed to limit owner intervention.

Table 5.7 shows how much the owners are involved in the day-to-day management of the family-business firms (Firm 1, Firm 2, Firm 3 and Firm 4). These information was gathered as part of the self-administrated survey. For instance, Firm 4, as a joint venture, assigned the role of operational management to a technical expert (from their French partner). As a result, none of the owners are involved in the direct management of the chain. Firm 2, however, was found to have three members of the family directly managing the company. This variation in the presence of owners suggests how much the decision-making process is controlled by the owners of these firms. It could be claimed that the ownership settings of Firm 4 and Firm 5 give their directors more freedom to make decisions than is the case for the rest of the firms.

	F1	F2	F3	F4	F5
Owners present in management	1	3	2	0	0
Nature of ownership (2007)	F.B (H.G)	F.B (H.G)	F.B	F.B/ J.V	JSC

Table 5.7: Ownership Setting of the Five Firms

5.2.2.2. Upper Echelons (UE) Demography

The upper echelons demography is first discussed at organisational level (see Table 5.8). A comparison will then be made with the firm's UE demography, with an emphasis on four types of comparison: UE age, the positions of Saudi managers, UE education and UE experience. All these information was gathered through the self-administrated survey. Figures were averaged to represent the general case of UE during the five years from 2003 to 2007.

Firm 1 is one of the smallest firms in terms of the number of members of its UE team, and is also one of the youngest in terms of average UE age. The UE team has an average tenure of 4.69 years, which indicates a relatively young management team. Firm 1's team has an education level of 3.99 (close to a Bachelors degree), with moderate diversity in the education background and functional experience of the UE team. The average proportion of Saudis in the UE team is 23%, almost a quarter of the whole team. Not surprisingly for the young UE team, the firm has the least years of experience of all those studied.

Firm 2 has the biggest UE team of the five firms with an average of eleven members in the UE group. The average age of the team is 51.59 years old, which gives Firm 2 the oldest UE. This also has the longest tenure (14.8 years) and the lowest proportion of Saudis in the team, at 9%. Firm 2 has the lowest level of education among the UE teams with a low diversity of both educational background and functional experience. Its UE team has the highest level of experience, at 27.24 years. These high figures for Firm 2 gives this thesis a rich insight into stagnation in the upper echelons of a firm, and how this might affect decision-making.

From an upper echelons perspective, **Firm 3** could be seen as a typical middle way among the firms. It has an average team size of eight managers with an average age of 42.02, which clearly places it in the centre of the five cases. The average tenure in the UE team is 8.50 years. While this is relatively high, it is not the highest of the five cases. The educational attainment of the team is slightly above Bachelors degree level. The firm has the most diverse educational background amongst the five cases. Firm 3's UE team has a moderate number of years of experience with moderate diversity in the nature of that experience.

Firm 4 is the youngest chain in this case study. In terms of its origin and UE perspective, it has the smallest UE team, with an average of 5.75 members. Its UE team is also the youngest, with an average age of 35.84. 50% of employees in the team are Saudi. Not surprisingly, the UE team has a short average tenure of 1.11 years, which is reasonable for a firm founded in 2004. The educational attainment of the team is slightly below Bachelors degree level, with a moderately diverse educational background. The average number of years of experience is 17.46, the second lowest in the case study. However, the functional experience of the UE team was found to be the most diverse of all the firms.

Firm 5 has a UE team comprising 9.80 members with an average age of 42.38, which is above the average age for all the firms. The tenure of the team places it at the lower end of the five firms with an average of 4.25 years. The educational level of the managers in Firm 5 is the highest with an average greater than Bachelors degree[22]. The heterogeneity of the educational background was found to be moderate, and below the mean for all the firms. The diversity of functional experience was the lowest among all the UE teams. The firm is close to the mean for the five firms with 19.63 years of experience. This puts the firm among those with modest experience.

	F1	F2	F3	F4	F5	Average
Number in team	7.80	11.00	8.00	5.75	9.80	8.47
Average age	37.41	51.59	42.02	35.84	42.38	41.848
Percentage of Saudi managers	0.23	0.09	0.13	0.50	0.43	0.276
Average tenure	4.69	14.80	8.50	1.11	4.25	6.67
Average education level	3.99	3.02	4.25	3.96	4.46	3.936
Heterogeneity of educational background	0.58	0.20	0.78	0.40	0.42	0.476
Heterogeneity of functional experience	0.23	0.18	0.22	0.56	0.16	0.27

Table 5.8: Upper Echelons Demography of the Five Firms

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[22] This higher educational level will help in assessing the added value of education in the decision-making process.

The five cases presented show some similarities and differences. This variation give a diverse sample of cases that may give rich insight to the discussion. An examination of these five cases suggests four different types of comparison: the age of the UE, the position of Saudi managers in the UE, the education of the UE, and the experience of the UE.

The age of the UE is one of the main themes differentiating the UE teams in the five firms. Some firms had older management teams than others. For instance, Firm 2 had the oldest UE team with an average age of 51.59, while Firm 1 and Firm 4 were the youngest with 37.41 and 35.84 respectively. The importance of this theme comes from the claim of upper echelons theory that firms with younger management teams are more open to change than those with older teams.

Another theme of comparison is the ***position of Saudi managers in the UE***. It is assumed here that UE teams with higher proportions of Saudi managers will be more likely to undertake Saudisation. The five cases reveal a great variation in the position of Saudis in UE teams. Firm 4 and Firm 5 had the highest proportion of Saudis among their management teams at 50% and 43% respectively. However, the proportion of Saudi managers was only 9% in Firm 2, and 13% in Firm 3.

A third area of comparison is ***the education of the UE***. From this perspective, some of the firms appear more educated and others less so. While all the firms were positioned around the educational attainment level of diplomas and Masters level, some firms were closer to the former level than to the latter. Firm 5 had a higher level of education than the rest of the firms with 4.25 points, where '4' denotes an educational level equivalent to a Bachelors degree, while '5' represents a Masters degree. Firm 2, however, was only just above diploma level. The other firms were positioned between the two extremes. This theme reflects the level of academic exposure (degree and background) of each firm , and how it affects its

decision-making process. Upper echelons theory suggests that educational attainment is a determinant of a firm's attitude to strategic change.

The last comparison is *the experience of the UE*. This reflects length of experience and the diversity of that experience. According to upper echelons theory, the length of experience of the UE team affects the decisions they take. The diversity of the team's functional experience also affects the richness of its decision-making. Firm 2 had the most experienced management team, with 27.24 years of experience. This number was almost double the length of experience of Firm 1's UE team, 14.69 years. The rest of the firms were placed somewhere between Firm 1 and Firm 2.

5.2.2.3. Autonomy of the Human Resources Department

The last human agency factor is the autonomy enjoyed by the HR department. This element is obtained by examining three factors: the presence of the HR director or manager in the organisation's management team, the grade of the HR director or manager compared to other executives, and the size of the operation. This section will compare these three factors in the five firms. The data collected, as presented in Table 5.7, shows the situation in the five firms from the perspective of two factors. It was found that most of the firms included their HR directors or managers in their management team. Firm 2 was the only firm where the HR manager was not an executive, because the HR function was represented on the board of management by the HR Director for the group (overseeing supermarkets, construction and equipment etc). This isolated the HR managers of the supermarket and turned them into people who merely carried out management decisions, and had very little autonomy to make decisions themselves. The grade of the supermarket HR managers in Firm 2 was, not surprisingly, much lower than that of the group's executives, which left Firm 2's HR department less empowered than that of the other firms.

In the other four firms, all the HR directors or managers were involved with the operations of the business alongside the management teams, and enjoyed roles or positions equivalent to other executives. It was noted that the size of the operation and its expansion plans affect the level of autonomy and power given to the HR departments. It was observed in both Firm 1 and Firm 3 that the small size of the firms coincided with their low level of expansion. On the other hand, Firm 4 and Firm 5 enjoyed the highest levels of autonomy because of their small/aggressive expansions and large/moderate expansions respectively.

Firm	Is the HR director/ manager part of the management team?	HR director/ manager's grade compared to other executives	Size/expansions	HR autonomy/ power
1	Yes	Equal	Small/ low	Medium
2	No	Lower	Small/ nil	Low
3	Yes	Equal	Small/low	Medium
4	Yes	Equal	Small/high	High
5	Yes	Equal	Large/ moderate	High

Table 5.9: Autonomy of the HR Departments in the Five Firms

These three factors brought the level of autonomy to its present level of variation. As shown in Table 5.9, firms ranged from high autonomy, such as Firm 4 and Firm 5, to low autonomy, such as Firm 2, with moderate levels of autonomy found in Firm 1 and Firm 3.

5.3. Saudisation Practices in the Five Firms (2003-2007)

This section of the presents the findings of the empirical data collection process concerning Saudisation practices in the five firms. This data was mainly gathered through structured interviews with HR directors and managers. Some information

was also found in the human resources information systems and records of the firm investigated. This section covers **nine different Saudisation practices** defined in detail in Section 1.3 (Saudisation: a Working Definition). This presents the general situation of Saudisation practice in the industry. A comparison will be made between the different ways in which the five firms conduct this practice. It is important to note that the data was collected using mixed methods, which were both quantitative and qualitative. This section presents both data simultaneously in order to build richer insight into Saudisation practices in these firms.

5.3.1. Compliance with Saudisation Policy

Compliance with the Saudisation policy could be seen as an outcome of other Saudisation efforts, although fulfilment of the policy is an end that could be obtained through both legitimate and illegitimate means. Firms are merely complying with minimum policy requirements, rather than strategically incorporating Saudisation into their long-term HR plans. The ambiguity of the Saudisation requirements makes the monitoring process harder for the government. Firms tend to have different methods of satisfying the authorities, designed to have the least impact on their business. The main illegal way of achieving the required Saudisation percentage is through false Saudisation reporting, or what is termed *delusional Saudisation,* in which firms add details of Saudi nationals to their records with or without their permission, and without actual employing these people. This practice is still widespread and the Ministry of Labour issues harsh sanctions to any firms caught practising delusional Saudisation.

Three of the five firms researched in this study have clearly satisfied the Saudisation percentage requirement. The highest percentage of Saudisation was found in Firm 4, which had 46% of Saudis in their workforce. Firm 5 had 40% of

Saudi nationals, while Firm 1 had 33%. An interesting insight into the process was given by the Saudisation Manager of Firm 1 who pointed out a loophole in the Saudisation percentage system:

"The main concern with the Saudisation percentage policy is that it is always imposed on firms through the stick and never the carrot. All firms are obliged to achieve 30% Saudisation or they will be penalised. This is entirely understandable. However, my concern is about those firms who can achieve higher than 30% of Saudisation. What about them? The system does not give any significant rewards to such firms. An example of a significant reward could be to give the firm a VIP card in the labour office that could facilitate their transactions. With the absence of such rewards, firms suddenly cease their efforts after achieving the required percentage and a great deal of Saudisation experience and potential gets wasted." (15 June 2007)

Firm 2 and Firm 3, however, were found to have achieved a much lower Saudisation percentage than that required by the government. Both firms achieved only 20% of Saudis in their firms, 10% below the required percentage. Further investigation showed that Firm 2, for example, gets around the 30% requirement by dealing with all government offices as a construction group, for which the Saudisation requirement is only 20%. However, when asked how his firm worked around the Saudisation percentage, the answer of Firm 3's HR manager was: 'I thought the required Saudisation percentage was 20%. I've never heard of a 30% requirement' (5 July 2007).

The other practice related to Saudisation policy is compliance with the restricted jobs policy. The policy forbids non-Saudis from occupying particular jobs in any private sector firm. These jobs include cashier, security guard, and personnel officer. The nature of this policy makes it easier for the government to monitor, and therefore harder for firms to deviate from. The interviews showed the five

firms to be conforming to the demands of the policy. However, informal visits to each firm's stores suggested that neither Firm 2 nor Firm 3 adhere completely to the restricted jobs policy. A handful of non-Saudi cashiers were found on duty in both firms, for example.

5.3.2. Compensation and Benefits

The common belief in the private sector in general, and in the five firms in particular, is that a competitive compensation and benefits package is required if they are to attract and retain Saudis. "This rule applies to all levels in the firm with more weight given to entry-level jobs, such as cashiers, and security guards" (Saudisation Manager, Firm 1, 15 June 2007). The general industry practice is to use high salaries to promote job opportunities. Over time, this practice has turned into a 'pay war' between firms, particularly over entry-level jobs, where the demand for Saudis has continually been higher than the accessible supply. As Table 5.10 demonstrates, average salaries in the five firms increased by 75% in the relatively short period of time between 2003 and 2007.

While this practice can be justified, some firms see this 'pay war' as increasing pressure on firms. For example, the Assistant HR Manager in Firm 1 emphasised that "some supermarkets periodically check the salary scale in our company, and then offer our employees an insignificant increase to what we pay them. In many cases the extra SAR50 or SAR100 (GBP10 to GBP20) per month encourages some young Saudis to quit their jobs with us and move to our competitors. Unfortunately, this response [of young Saudis] has encouraged some incompetent companies to continue with these tactics in order to attract skilled Saudis" (15 June 2007)

Firm	2003 (SAR)	2007 (SAR)	Change in pay (%)
1	n/a	3,000	n/a

2	1,800 (GBP300)	3,000 (GBP500)	67
3	n/a	2,500 (GBP416)	n/a
4	n/a	n/a	n/a
5	1,200 (GBP200)	2,000 (GBP333)	67
Average	1,500 (GBP250)	2,625 (GBP437)	75

Table 5.10: Entry-Level Salaries for Cashiers in the Five Firms in 2003 and 2007

However, while this pay war continues, some firms opt to add extra features to their pay systems to make them a more efficient tool for attracting and retaining good Saudi employees. For instance, Firm 1 differentiates between Saudi candidates according to their qualifications, even if they apply for the same job. According to the firm, average pay ranges from SAR1500 (GBP250) per month up to SAR3500 (GBP583) based on candidates' qualifications. The firms also differentiate by offering a quick progressive salary increase directly connected to completion of training and length of service. For instance, the starting salary in Firm 2 is SAR2000 (GBP 333). When three months of work have been completed, it increases to SAR2500 (GBP416), and then to SAR3000 (GBP500) at the end of six months. According to the HR Group Director of Firm 2, "This approach [progressive salary increases] reflects the pace that firms need to deal with the low commitment levels of most young Saudis." (22 June 2007)

Firms were also found to be trying to make the working environment more attractive and appealing for young Saudis. Prizes for achievement are a popular practice in the industry and were found in both Firm 3 and Firm 4. These included prizes for 'Best Cashier', 'Best Employee', and 'Best Improvement in Performance'. Such prizes carry both an extrinsic value (financial), in addition to an intrinsic value (recognition by the management) for young employees. Firms also introduced different social support schemes including facilitating bank loans (and mortgages) for employees, discounts in health clubs (gymnasiums), discounted shopping items. Firm 4 also gives interest-free loans as a marriage support plan to Saudi employees after they have completed two years with the firm. Similarly, Firm 1 and Firm 5 guaranteed 24 months' full salary to the

dependents of all employees in the case of death (a form of company-paid life insurance). The HR director of Firm 5 stated that:

"Firms cannot go on forever with the salary war. First of all, it is costing us a lot; and secondly, it does not stop our employees leaving us… All these [non-monetary] incentives are substitutes for the extra money our competitors might offer young Saudis" (15 May 2007)

5.3.3. Training

The general view of most of the firms studied was that "***training*** is one of the prerequisites of successful Saudisation. Without training, Saudi employees will be a true financial burden", according to the Chief Executive Officer of Firm 3 (5 July 2007). Training is seen as necessary by the firms for two reasons. Firstly, most Saudis joining the industry have limited skills or experience of supermarket operations. Training is needed to tackle this. In addition, Saudi employees (especially in entry-level jobs) have a high tendency to quit, with an average turnover rate of 40-120% in the supermarket industry (as reported by the General Manager of the Saudi Institute for Retail Sales in the *Okaz* newspaper, 4 April 2010). "This phenomenon [of Saudisation] brings with it a forced administrative and financial burden on firms to continually train newcomers in the required skill sets." (HR Manager, Firm 2, 22 June 2007).

While training could easily be claimed as a major Saudisation practice in the industry, each firm approaches it differently. The two major training methods found in the five firms were: *outsourced training* (through training companies), or *in-house training departments*. Two firms (Firm 1 and Firm 3) sent their employees to external training companies. These training companies were found to be either sister companies (with a training focus) or independent training

centres. Firm 1, for instance, uses its holding group's training centre, which offers supermarket-related courses (from entry level to diploma in retailing) for both the company and the public. Firm 3, however, uses external resources to train its employees (mainly at entry level). According to the limited figures obtained, an introductory training course (lasting two or three weeks) costs Firm 3 around SAR90,000 (GBP15,800), regardless of the number of staff attending. The number of courses each year is decided according to the needs of the firm (i.e. its expansion and level of employee turnover) (HR Manager, Firm 3, 5 July 2007).

The relatively high cost of outsourced training has led larger firms in the industry to use in-house training departments. This format was found to be gaining popularity and strength in the industry. For instance, the training department of Firm 2 has grown from being a small unit with a single trainer in 2003, to a group comprising four departmental trainers in 2007. This increase in size was reflected in a rise in the budget of the department from SAR150,000 to SAR500,000 (GBP26,000-88,000) in that five-year period, even though the firm itself did not increase (in terms of number of stores) in the same period. As the Group HR Director responsible for Firm 2 explained: "the leap in training expenses was designed to deal with the phenomenal level of turnover among Saudis" (22 June 2007).

Firm 4 and Firm 5 were also found to be investing intensively in their training departments. In Firm 4, the training function used qualified and autonomous trainers. In addition to the central training department, each hypermarket also has a training coordinator to monitor training needs, administrate the training course in the store and constantly assess the return on training. Advanced implementation of the training department was also found in Firm 5, which contains a department with more than thirty trainers, administrators and managers, offering over 73,000 classroom training hours in 2006 to more than 3,300 beneficiaries (mainly

Saudis). The annual running cost of the training department exceeded SAR1,000,000 (GBP176,000).

The training courses offered in the industry range from purely functional training to management training. The primary focus of all five firms was providing newcomers with the skills and knowledge required to carry on their day-to-day duties efficiently. Advances in training occurred over time. For example, in Firm 5, "the attention since 2004 has been more towards developing and delivering functional training, mainly for cashiers and security guards, as well as other limited departmental training such as deli and bakery services. The focus of the training department is gradually shifting to cover supervision skills including coaching, counselling" (Training Manager, Firm 5, 16 May 2007).

5.3.4. Claiming HRDF Support

Another Saudisation practice of supermarket chains is claiming financial support from the Human Resources Development Fund (HRDF)[23]. This support covers the recruitment, training and replacement cost of Saudis. All the firms agreed with the HRDF that they should train and employ Saudi workers. The main HRDF programme used in the industry was the 'Training Ending with Employment' scheme. According to this scheme, the HRDF generally subsidises 75% of the training cost and 50% of the salaries of unskilled employees for the first two years of their employment. Some of the firms suggested that the amounts granted by the HRDF are in millions of Saudi Riyals. For instance, Firm 1 and Firm 3 both claimed SAR4 million in 2004/2005 alone, and in 2007, Firm 5 signed their third HRDF funding agreement which provided an extra 500 subsidised jobs at a cost of up to SAR7 million).

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[23] For more detailed background about the HRDF, see Section 1.1.

Despite the widespread diffusion of this practice, some objections to the whole funding mechanism were made during the interviews. More than one firm reported delays in payments by the HRDF. According to the Saudisation Manager of Firm 1:

> "Our firm has been struggling for the last few years to fulfil the tiresome and constanty changing requirements of the HRDF, but most of the amounts we have claimed have not yet been processed. As a result, we are seriously reconsidering whether the HRDF is a suitable source of support for our Saudisation programme." (15 June 2007)

Delays in the reimbursement process were also reported by the other four firms. For instance, Firm 1, had only received SAR800,000 (GBP133,333) (i.e. 20% of the total claim) of the SAR4 million (GBP666,666) claimed since 2004. However, Firm 5 (the firm funded by HRDF for the longest period) believes that "…getting the HRDF fund is worthwhile for our business in the long term, regardless of how lengthy the process is" (Vice-President for Support Services, Firm 5). The only firm not to feel frustration with the reimbursement process was Firm 2, which, on the contrary, was satisfied with the support it received from HRDF and the way the scheme was working. All the money claimed by the firm has been received punctually .Its Group HR Director said: "We have no problem with the HRDF. But I think the HRDF Eastern Province office is the only branch in the kingdom that uses an internet interface for firms to post claims and upload supporting documents" (22 June 2007).

Another problem raised by some firms about the HRDF funding agreements is that they are calculated according to the number of 'jobs' and not of 'positions'[24]. The fund therefore, covers *employee names* in the payroll rather than *ongoing*

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[24] The term 'job' in the HRDF agreements implies a place that could be occupied by one person at all times. Therefore, when the person leaves the firm, the place (or job) will be deleted from the supporting agreement.

positions in the firm that could be occupied or reoccupied by different people. This limitation in the terms of agreement becomes more noticeable with the reported high turnover of employee in the industry. For instance, one of Firm 2's past HRDF agreements was for sixty jobs. However, within eight months of the agreement, fifty of the funded employees had left the firm and so the money allocated for them was forfeited, the HRDF agreement being automatically reduced to ten jobs only. As a reaction to this problem, some firms started to delay enrolling Saudis in the HRDF for up to six months after they joined the firm, in order to maintain the maximum percentage of funded jobs.

5.3.5. Employing Women

While the country overall is striving to empower women further by increasing their representation in the business sector, the process of employing them in the supermarket industry has faced strong resistance (BBC Arabic, 11 September 2003). Although the worldwide supermarket workforce is dominated by women, (c.f. Akenhurst and Alexander, 1996; Baret et al., 2000), legal and social obstacles are still preventing this dominance from spreading to Saudi Arabia (Maimesh, 15 January 2005). As this is a reversely diffused practice within the industry, the views of firms concerning the employment of women as a way of increasing Saudisation vary radically from one firm to another.

Generally speaking, most firms believe that the 'female labour market' is a major source of young Saudis that should be used and better regarded. Nevertheless, the practical nature of women's employment is where disagreements occur. For instance, managers in Firm 4 viewed employing women at store level, as an unnecessary source of hassle that could cause unwanted problems. They also argued that turnover among women is higher, and the working environment in supermarkets is not appropriate for them, based on national cultural grounds such

as sex-segregation and the role of women in society (Saudisation Manager, Firm 4, 20 June 2007). On the other hand, Firm 1 viewed women as "more committed and disciplined compared to their male counterparts" (HR Manager, Firm 1, 15 June 2007). A middle view was adopted by Firm 5, which believed in the potential of employing women, but acknowledged the legal difficulties involved in practice. The HR director in Firm 5 stated that:

> "Policy makers should be more helpful about the women situation, by reducing the conditions under which they [women] can work .This [help] should go further with single mothers and widows whose jobs are essential to them and for the survival of their families." (15 May 2007)

As a consequence of opposition to employing women in the industry, there is a wide variation in the way this practice has developed on the ground. For instance, both Firm 2 and Firm 4 were reluctant to show any forward movement on the practice. Nevertheless, the discussion with the HR Manager of Firm 2 showed that a female security guard is working in the firm's newly opened hypermarket. This contradiction between theory and practice reflects the unsettled nature of the issue, and might also indicate the undergoing changes in perceptions of women in the Saudi workplace. It was also revealed that Firm 1 is investigating the costs and benefits of employing women in their outlets. In 2007 they conducted research with the Labour Office in Riyadh to explore the viability of using female security guards in their supermarket (Saudisation Manager, Firm 1, 15 June 2007).

On the other hand, Firm 3 and Firm 5 are convinced that the increasing number of women in their workforce has added value to their businesses. While both firms embraced the practice in theory, Firm 3 promoted the idea of employing women in cashier and security officer positions. The number of women employed in Firm 3 by the end of 2007 was limited to just two security guards. However, Firm 5 was moving more quickly towards employing women. Security guard positions for

women were gaining in popularity, with more than sixty women employed at the end of 2007. Each newly opened hypermarket had eight female security guards to deal with issues in the stores relating to women. The HR director stated that:

"This practice started in 2005 at the firm, and it is starting to happen in other supermarket chains as well. It is just a matter of time until women are equally empowered in supermarket operations" (15 May 2007)

In addition to security guard positions, Firm 5 is advocating increasing the number of women in the workplace using other non-operational departments including market research, human resources and finance. Firm 5 reacted strongly to the Ministry of Labour's policy concerning women's clothes shops by employing ten women in the women's clothes section of one of their hypermarkets. However, "the idea lost momentum in the company when the whole regulation was put on hold by the Minister of Labour", according to the HR Director of Firm 5 (May 15, 2007)

5.3.6. Subcontracting Jobs

Subcontracting certain jobs has recently been embraced in the supermarket industry. It is another example of a practice that could increase Saudisation dramatically without increasing the number of Saudis employed. The business rationale behind subcontracting is a reduction in the required number of Saudis, achieved by outsourcing certain jobs to Saudi workers in other firms, and thus also reducing the number of non-Saudis employed within the firm. As a result, Saudisation percentages could increase, at least in the short term, by a few percentage points. The most commonly used method is outsourcing the cleaning, bagging, and trolley boy jobs to another legal entity. These jobs can represent 9%

or more of a store's total workforce[25]. It is important to mention here that employee subcontracting practices in the industry have operational (supervision) justifications other than increasing the Saudisation percentage. However, despite all the existing cases of the practice, Firm 4 was still found not to be using subcontracted employees at the time of this study.

Four firms were found to be using the concept of subcontracting in one way or another. The practice was strongly evident in Firm 1, Firm 3 and Firm 5, where every cleaner was fully subcontracted by these firms to other operational companies. Firm 2 employed subcontracted temporary cleaners to cope with shortages during high business seasons. The value of this practice was increased even further by Firm 1 in 2005, when it founded a sister company to provide its supermarket operations with more than 250 workers, around 12 % of its total workforce.

The second position in the supermarket industry which is largely subcontracted is that of security officer. The practice of subcontracting security guards was diffused for supervision and control reasons, rather than for Saudisation. In fact, the practice tended to reduce the number of Saudis in the firm, since security guard is one of the restricted jobs that must be occupied by Saudis. Subcontracting jobs held by non-Saudis was becoming more popular in the industry and had even greater growth potential.

5.3.7. Employing Part-Timers

Whilst part-time employment is considered to be the most popular form of employment in the supermarket industry worldwide (Tilly, 2008), it is still an

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[25] In Firm 5, more than 733 employees were subcontracted, around 9% of the total headcount. In Firm 2, 12% of non-Saudis were subcontracted.

underdeveloped practice in the Saudi supermarket industry. Most firms are generally aware of the concept, its use abroad and its possible added value. The firms surveyed in this study had different perceptions about the validity of the practice in their own context. Firm 3, for instance, opposed the idea of employing part-timers and viewed it as a "counterproductive idea, with limited benefits to firms and to customers. While part-timers are harder to manage in our operation, employing them is not properly supported by the labour law" (HR Manager, Firm 3, 2008).

Firm 4, however, perceives employing part-timers as an efficient way of dealing with fluctuations in business demand. Firm 5 was of the opinion that developing a part-time employment model has great potential for the industry. Despite the firm's so far discouraging experience, they still believe that "part-timers could be more serious if they were picked more carefully, and they can show good levels of commitment with the right control system in place…" (HR Manager, Firm 5, 15 May 2007).

Firm	Views of part-time employment	Role in part-time employment
Firm 1	Ambiguous	Passive part-time employment
Firm 2	Ambiguous	Passive part-time employment
Firm 3	Opposed	Passive part-time employment
Firm 4	Supportive	Active part-time employment
Firm 5	Supportive	Active part-time employment

Table 5.11: Views and Actions of the Five Firms Concerning Part-Time Employment

Regardless of the differences in their view of part-time employment, traces of the practice were found in all five firms, but with discrepancies in practice. As Table 5.11 shows, some of the firms used part-timers mainly as a strategy to tackle high employee turnover and to increase the Saudisation percentage. Firm 5 tried out the concept through various discontinued projects. However, the biggest project,

according to the firm's HR director, was hiring a hundred part-time cashiers in one of their hypermarkets as a pilot. The HR director of Firm 5 stated that:

"… the employees' performance was outstanding, but because of the line manager's limited experience of managing part-timers, they were paid in lump sums instead of an hourly rate. As a result of this mismanagement, the project was put on hold until the defect in the system was rectified." (15 May 2007)

Despite this, he further stated that:

"We [the HR Department] believe that with better management by store managers, part-time workers could contribute to control of employee turnover and increase Saudisation at the same time." (15 May 2007)

Some of the other firms were found to be employing part-timers as a reaction to enquiries by job seekers looking for part-time work. For instance, several university students approached Firm 3 wanting to work part-time. The firm's responded by hiring these students on an hourly basis (for five hours per day). Similar cases were found in Firm 2 and Firm 1, and were reported to be successful in terms of both discipline and performance (HR Group Director, Firm 2, 22 June 2007; HR Manager, Firm 3, 5 July 2007). Some common factors led to success, according to the HR Group Director of Firm 2: "The age of the candidates and their financial situation led to their outstanding behaviour and attitude to the jobs they were doing".

However, the best example of systematic part-time employment was found in Firm 4. The practice, according to the HR manager, started with foundation of the firm, because of its nature as a joint venture with an international supermarket

chain which had long experience of part-time employment. As the firm's Saudisation Manager explained: "the fluency of the process was because of the simplicity with which it reported attendance. All personnel are well informed about the system and their duties in this process. In addition, the commitment of senior management to the idea of part-time employment meant that it was not questioned by other managers" (20 June 2007).

5.3.8. Targeting New Segments of the Labour Market

Targeting new labour segments is a practice found in some firms in this study. Its main motivation could be legal, in order to achieve the required Saudisation percentage through the employment of women and the disabled, who are worth more employees in the official headcount valuations than able-bodied men. The motivation could also be operational, to rectify high employee turnover by engaging, for instance, mature workers and orphans. Despite these different motives, firms were also found to be searching for new labour segments to assist them in achieving their Saudisation and social responsibility aims.

Young men with mild disabilities, such as hearing impairments, were found to be one of the newly targeted segments in the industry. The approach to the disabled, according to the HR manager of Firm 5, "was initiated as part of the firm's social responsibility efforts". The idea was further enforced by the policy giving disabled employees the same value as three able-bodied men. Firm 3 and Firm 5 were seen to be pioneering projects in this area. In the last five years, these firms have appointed disabled employees to different retail departments including fresh produce and merchandising.

The second new source of young Saudi workers is students from universities and colleges. Targeting young Saudis with higher qualifications is a response to the problem of high turnover in existing young Saudi workers (mainly school-leavers). Three of the five firms studied were found to be approaching this new segment with a variety of programmes. Firm 2, for instance, have three designated positions for university students interested in taking their cooperative training (placement) programme in departments such as marketing, human resources and finance. The idea of the programme is to allow Saudi university graduates to consider the supermarket industry as a future employer. According to the HR director of Firm 2, "most of the Saudi trainees, under this scheme, tend to become permanent employees straight after their graduation" (22 June 2007).

Another method of attracting university students was found in Firm 5, which targeted the top universities and business colleges in the Kingdom in order to encourage students to join the industry. The firm approached students with competitive job or career packages at university careers events. To make itself even more appealing to these high-calibre Saudis, the firm introduced a '*fast track programme*'. The programme was promoted to students who were about to graduate from university. They were given the opportunity to start as trainee store managers and then to progress to operational manager level. In addition to this fast career progression, the programme came with a theoretical financial incentive rising to SAR40,000 per month within eight years of tenure (around GBP80,000 per annum).

Another segment recently targeted by many supermarkets is orphans. According to the Assistant HR Manager of Firm 1:

"Saudi orphans, from our experience, are more committed to work than the average Saudi. The social and financial situations of these employees make them more serious about life and more committed to work" (15 June 2007).

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Firm 4 also has an agreement with the orphan care charity INSAN which supplies the firm with employees every month. In return the firm is offered jobs and marriage-support packages for orphans who are retained in the business.

> "The marriage support paid by the firm could add up to SAR40,000 for each beneficiary, with a total fund of SAR1 million for this scheme" (Saudisation Manager, Firm 4, 5 July 2007)

It is important to note here that all of these incentives were introduced in order to retain employees for as long as possible. Some firms were observed to target young Saudis in deprived cities and regions such as Jazan, Alhafouf and Qafit. The common feature of these cities is that they are highly populated and economically poor. According to the Group HR Director of Firm 2:

> "Compared to other Saudis, young people from such areas are more stable and content with what is offered by the firm. The challenge at the beginning was to reach this sector though local leaders and activists, but afterwards the process became straightforward." (22 June 2007)

5.3.9. Offering Career Choices

One of the most frequently observed practices in the industry is offering career choices to Saudis. This practice is still far from being commonplace in the industry; nevertheless, there are some noticeable signs of progress. For instance, Firm 2 and Firm 5 promoted the education of young employees about career paths within the firm including the front-end path (cashier, head cashier etc.), deli services path and bakery path. This flexibility was intended to widen the job

opportunities available to Saudis, from cashiers and security guards to other specialised areas in the operation such as the deli, bakery and fresh produce department.

"…This new range of choices offered to Saudi employees and applicants will strengthen the position of Saudis in the company and increase Saudisation percentages, hopefully by attracting new kinds of young Saudis to our workforce…" (HR director, Firm 5, 15 May 2007)

Career development was not limited to new functions in the supermarket operation; even typical jobs were put on a career path to encourage Saudi employees to stay committed and motivated for a long time. For instance, a cashier who had worked in the firm for a few years could be promoted to assistant head cashier or a head cashier according to his level of competence. "The message we are trying to communicate to young Saudi employees is that through time and effort they can develop and get better opportunities with us. That will mean that the job they are currently doing is not a dead-end, but a starting point for them" (HR Director, Firm 5, 15 May 2007).

5.3.10. Mass Recruitment

A new and increasing practice in the industry is 'mass recruitment', introduced to, and facilitated within, the industry by regional non-governmental organisations (NGOs). According to an HR manager in Firm 1:

"… the practice was initiated first in regions where we did not have recruitment managers, such as Qasim. The chambers of commerce of these regions offered to gather potential applicants for our jobs into one place. The purpose was to present

to them the profile of our company and the vacancies available. Job applications and a screening process would take place. From the first trials onwards, it was an outstanding success" (15 June 2007)

The practice developed over time, and more NGOs have become involved in sponsoring these events. They include Abdul Latif Jameel Community Service Programmes (ALJCSP), and the National System for Joint Training. The role of these NGOs, as many firms reported, is to provide firms with lists of applicants and to host events in which firms can present their job opportunities to young Saudis. According to the Assistant HR Manager in Firm 1:

"…ALJCSP is our most advanced and reliable collaborator, and enables us to get the right young Saudis for the vacancies we have in our firm …" (15 June 2007)

ALJCSP also occasionally collaborated with the Chamber of Commerce and Industry in different regions to arrange recruitment events. These events were found to be a major form of recruitment for the supermarket industry.

"… With such events, the monthly recruitment needs of the firm could be fulfilled in a couple of hours." (HR Manager, Firm 4, 20 June 2007)

Practice	Status
Compensation and benefits (to attract and retain)	Diffused with variations
Training	Diffused with variations
Obtaining HRDF support	Diffused
Employing women	Reversed diffusion
Subcontracting	Diffused with variations
Employing part-timers	Reversed diffusion
Targeting new labour segments	Diffused with variations
Career choice and development	Reversed diffusion
Mass recruitment	Diffused

Table 5.12: Levels of Diffusion or Reverse Diffusion of Saudisation Practices

5.4. Concluding Remarks

In summary, it could be claimed that each Saudisation practice has its own level of diffusion and variation between firms, depending on the practice. As Table 5.12 shows, some practices were widely diffused, including compensation and benefits, training, obtaining HRDF support. Within this group of practices, some Saudisation practices were adopted with some alterations in each firm. This led to a number of different formats for each practice within the industry. For instance, while all the firms used training, each of them had its own forms and structures with which to deliver and manage this training. However, practices such as employing women, employing part-timers, and career choices and development were found to be diffused (or reversely diffused) in the industry.

The next chapter discusses the findings concerning Saudisation practices by applying the techniques of explanation building (Chapter 6) and pattern matching (Chapter 7).

Chapter Six: Development of Saudisation Practices: Discussion

Following the presentation of this study's major findings, this chapter discusses the development of Saudisation practices in the supermarket industry. This discussion, as explained in the methodology chapter, follows the explanation-building technique of analysis. This technique examines the phenomenon of Saudisation in order to obtain an in-depth understanding of the case and to connect it to the case studies, rather than to produce conclusive outcomes (Yin, 2009). To this end, the chapter aims to reach a better understanding of the phenomenon of Saudisation and its impact on Saudisation practices. This chapter first examines the formation and development of Saudisation practices since the inception of the national Saudisation policy. It then discusses the rationale influencing the development of Saudisation practices in the supermarket industry and the main factors shaping those practices. The chapter ends by describing the mechanism by which Saudisation practices evolved in and how they have reached their current position.

6.1. The Formation of Saudisation Practices

This section describes the formation and development of Saudisation practices in the supermarket industry. It is based on secondary sources in the field including newspapers, documents and the existing literature. More importantly, it is constructed from in-depth interviews with more than twenty managers in the supermarket industry (including CEOs, HR directors, HR managers and Saudisation managers).

The concept of Saudisation was first introduced about ten years before the beginning of the Saudisation policy, in the Fourth (1985-1990) and Fifth (1990-1995) Saudi Development Plans (Al-Ali, 1997). The key starting point for Saudisation was the Decree 50[26] of 1995 in which the government, via the Manpower Council, laid out practical measures concerning the employment of Saudis (Fakeeh 2009). This narrative in this chapter focuses primarily on the period between 2003 and 2007 when firms began embracing distinctive Saudisation practices. An outline of the historical background will also be provided in this section, to present an account of major developments in the general area of Saudisation.

The narrative of Saudisation practice and its formation in the supermarket industry is divided into three periods based on the response of firms: 1) denial; 2) reaction; and 3) adaptive Saudisation. The researcher has chosen to divide the histoty into these three periods to reflect the differing nature of the Saudisation practices in each period. This classification does not imply that all the firms in the industry have necessarily followed identical views and practices, but rather demonstrates the general direction that has been observed. This narrative focuses on the last stage of the history of Saudisation (adoptive Saudisation) for two reasons. Firstly, this period corresponds to the years primarily researched in this thesis (2003 to 2007). Secondly, Saudisation practices were more developed during this last stage.

6.1.1. Denial of Change: 1995-1999

The first period of Saudisation discussed in this chapter is the denial phase (c.1995 to 1999). Several features characterise the workforce in the supermarket industry during this phase. Firstly, it was dominated by foreign workers who ran both the

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[26] See page 18 for more details about Decree 50

managerial and operational sides of the industry. This demography was mainly the result of practical factors including cost, nature of work and working hours. According to the Deputy Minister of Labour:

> "The private sector started bringing in cheap foreign labour to bridge the gap between supply and demand in the sector. As a result, many marginal economic activities with no real value to the economy were introduced without no comparative advantage but the cheapness of the labour." (*Al-Jazeera* newspaper, 28 February 2009)

Secondly, there are three levels of jobs in the supermarket industry, categorised by salary: lower-end, mid-level, and higher-end jobs. Employees from Asia and Africa (mainly the Philippines, India and Egypt) occupy positions at the lower end of the hierarchy, such as cleaners, cashiers and merchandisers. This type of job is sourced from low-cost labour to fulfil the business strategy of cost reduction. Higher-end jobs, however, are generally assigned to Western expatriates on the assumption that they have more suitable experience, especially of managerial roles in the supermarket industry. Mid-level positions were filled by a mix of nationalities, with a few Saudis.

Thirdly, the foreign-dominated nature of the industry makes entry-level jobs financially less appealing for young Saudis, compared to similar jobs in the public sector. The public sector not only provides stability through job security for its employees, but is also known for having fixed and short working hours and a comfortable workload. These factors make managerial positions in the supermarket industry far more competitive, as they require higher levels of supermarket expertise if Saudis are to replace Western expatriates. In addition, the low-paid jobs are stereotyped as being specifically for low-income workers of particular nationalities. This point was confirmed by the HR group director of Firm 2:

"Having a Saudi cashier in our stores was unexpected. It was socially unacceptable for Saudis to do a job that Filipinos and Indians would normally do. Some Saudis even now think of this job [cashier] as completely humiliating. However, this perception of the job is gradually changing." (22 June 2007)

The Saudi Deputy Minister of Labour stated:

"The distorted climate in the private sector works against young Saudis wanting to join that sector. It offers low pay and requires a heavy workload compared to the public sector." (*Al-Jazeera* newspaper, 28 February 2009)

In addition to the social and financial barriers preventing Saudis from joining the private sector, and particularly the supermarket industry, the Deputy Minister claimed that, as a result of rapid economic and social change in the country, young Saudis had become less productive:

"[Saudis] began to get an inferiority complex about lots of professions and businesses. And an overwhelming "culture of shame" has spread among Saudi individuals and made them prefer unemployment to some types of employment, even if the job only asks for the equivalent of primary education and [requires] no practical experience. Most young Saudi job-seekers only want an administrative function and office work, regardless of their professional or technical qualifications." (*Al-Jazeera* newspaper, 28 February 2009)

There were signs in the private sector that the unemployment rate was increasing and the government intervened to limit this problem. One of the main signs of the forthcoming moves towards Saudisation were found in the Fourth and Fifth Five-

Year Development Plans. Serious doubts were expressed that these government measures would be any different from their earlier efforts. Nevertheless, draconian Saudisation regulations came quickly into force, creating speculation that these ambitious Saudisation goals could be achieved, or even that Saudisation could be introduced into the private sector (Fakeeh, 2009).

Like all private enterprises, the supermarket industry was significantly affected by the new Saudisation regulations through Decree 50[27]. The major difference between this decree and previous government Saudisation measures was that it addressed the duty of individual firms to achieve Saudisation. However, the majority of firms remained in denial or hoped to be exempted from such an ambitious Saudisation quota (Saudisation Manager, Firm 5, 16 May 2007).

The speculation of private firms about this resulted from the difficulty of attracting Saudis with the limited financial incentives on offer, alongside the more demanding and competitive working conditions typical of the private sector, compared to the public sector. These low incentives applied to the supermarket industry in Saudi Arabia even more than to other industries, where pay was relatively low (Saudisation Manager, Firm 5, 16 May 2007). The other anticipated challenge was the questionable commitment to work of young Saudis, especially considering the freedom of movement they were allowed (Senior HR Officer, Firm 5, 13 September 2010). The supermarket firms at this time were also concerned about Saudis' perceptions of the private-sector and the accompanying social stereotyping, which meant that they would not accept entry-level jobs in the industry (Saudisation Manager, Firm 5, 16 May 2007). The 'culture of shame' described earlier by the Deputy Minister of Labour reflects the limited readiness of young Saudis to join the private sector labour market.

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[27] See page 18 for more details about Decree 50

Small and medium-sized companies were in denial about the government's Saudisation agenda. As a result, they chose to ignore the new policy. Other companies started to actively resist the Decree (Fakeeh, 2009). The main grounds for their resistance was the negative financial impact expected from implemenation of the Saudisation policy. The policy was seen as a hindrance to the development of the sector and a reason for many companies to leave the sector altogether. Despite this, however, the government stuck to its policy. A senior HR Officer from Firm 5 stated that:

> "We thought for a while that the government, as in the past, would alter the policy to satisfy the wishes of the private sector, but this did not happen. So we could do nothing at that point except to start taking real action in the workplace, although this was not easy at all." (13 September 2010)

These aggressive measures affected the private sector as a whole. The situation was even worse within supermarket chains. The extra impact on the industry came from the fact that it is by nature 'human-intensive'[28]. The required number of Saudis that the industry needs to attract and retain is therefore higher than in most other private-sector industries. The list of restricted jobs issued by the Ministry of Labour within the supermarket industry, such as cashier and security guard, was easily inspected by the Labour Office. This made Saudisation a matter which supermarket firms had to urgently deal with (Saudisation Manager, Firm 5, 16 May 2007).

6.1.2. Reactive Saudisation: 2000-2003

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[28] According to the GOSI report, the number of registered Saudis in 2005 was 34% in the trading sector (which includes retailers), followed by the construction industry with 29.9%.

In time, the persistence of the Ministry of Labour in implementing the national Saudisation policy forced companies to accept Saudisation as an idea that is 'there to stay' (Fakeeh, 2009). Despite their reservations about a universal Saudisation quota for the whole supermarket sector, firms started to obey the Saudisation policy in order to avoid harmful penalties. This period has been called 'reactive' because firms reacted spontaneously and without long-term thinking. This reactive Saudisation took two different forms during this period. The first was 'delusional Saudisation', in which firms simply included the details of Saudi nationals in their payrolls, without actually employing them. This illegal practice was intended to reduce the cost of training and replacing Saudis by paying them a minimal monthly salary in return for using their details, usually their National Identification Card and General Organisation for Social Insurance (GOSI) numbers.

The Ministry of Labour confronted 'delusional Saudisation' at an early stage by applying harsh penalties. Nevertheless, policing it was heavily dependent on the Ministry's inspectors and their ability to scrutinise individual firms. This was found to be inconsistent, as an Assistant HR Manager in Firm 1 described:

> "Saudisation policing is not always fair, when you go and see that some supermarkets still have non-Saudis working as cashiers, and inspectors never take action against them, while in our company, the inspector sends them [any non-Saudi cashiers] to prison. (15 June 2007)

The other approach during the period of reactive Saudisation was 'inferior Saudisation', in which firms give Saudis entry-level jobs or low-skilled jobs such as tea boys, office messengers '*Morasel*', and government runners '*Moaqeb*'. These jobs are usually isolated and have no career progression. Companies in the reactive Saudisation period were observed following trial and error tactics to reach the minimum Saudisation requirements in order to avoid penalties. As a result,

Saudisation work in this period was generally short-term, as firms took positive Saudisation only in order to avoid penalties (Senior HR Officer, Firm 5, 13 September 2010).

However, despite the short-term nature of this period of Saudisation, reactive Saudisation did have the unintended consequence of raising awareness in the private sector about two important factors: 1) the employment characteristics of young Saudis; and 2) the limitations of HR in this sector (Operations Manager, Manufacturing, 25 July 2006). Saudis were perceived by private-sector companies at this time[29] to have a 'reservation wage' which was frequently two or three times the size of that of non-Saudis. Saudis were also perceived to be less disciplined and less committed to working hours, to be more difficult for line managers to control, to have higher levels of turnover, to lack the right skill sets, and to require socially acceptable job titles and working conditions (c.f. Mellahi and Al-Hinai, 2000; Al-Taweel 2004; Al-Thobyani, 2007).

Reactive Saudisation exposed the limitations of the existing HR functions in the private sector. According to an Operations Manager in a manufacturing company:

> "The HR department's duty was [previously] to 'hire and fire' employees more than anything else. With the commencement of Saudisation, companies had to consider many HR practices and issues that were foreign to them including training, employee turnover and progressive salary increases." (25 July 2006)

The phase of reactive Saudisation was soon replaced by a new stage. The empowerment of HR and the development of Saudisation units were evident in

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[29] Some of these characteristics applied until the end of the study in 2007, including the higher pay scale for Saudis compared to non-Saudis.

many firms in the sector. According to an independent recruitment manager in the sector:

> "What happened was more than a simple empowerment of the HR function, it was the birth of a new function in the sector. The critical position of Saudis in organisations gave each HR department more space to implement various initiatives to deal with the new challenges it was facing. This brought the HR managers side by side in the boardroom with other functional managers such as finance and operations." (25 July 2006)

Another sign of the end of reactive Saudisation in the private sector was the development of the *Saudisation unit*. In many of the firms observed, this unit was part of the HR department and aimed to manage Saudisation and adopt replacement programmes in supermarket chains. The detailed role of Saudisation managers varied from one firm to another. Communicating with the HRDF and managing Saudisation percentages were roles common to all such managers. More importantly, this unit also reflected the importance of Saudis to the newly empowered HR departments (Saudisation Manager, Firm 5, 16 May 2007).

6.1.3. Adaptive Saudisation: 2004-2007

The third period discussed here is *adaptive Saudisation*. During this period, the work of firms towards Saudisation started to bring both tangible returns, such as HRDF financial support, and intangible returns, including improved public relations. These returns on their investment in Saudisation had a positive impact on the firms' Saudisation work, and directly shaped Saudisation practices within the supermarket industry. As a result, the general approach to Saudisation in this period of time changed from reflexive to adaptive. The remaining sections of this

chapter builds on the data collected to explain the rationale of Saudisation practices and how each area developed over time.

6.2. The Rationalisation of Saudisation Practices

This section discusses the formation of Saudisation practices and their development from a broader perspective. Its objective is to produce models that will contribute to an explanation of the Saudisation phenomenon. This explanation will describe the rationale that connects institutional actors in the Saudisation field, and presents the three main objectives of supermarket firms when adopting Saudisation: to attract Saudis, retain Saudis and utilise Saudis. This rationale will provide the reader with an in-depth understanding of the origins of Saudisation practices and the motivation for implementing them.

6.2.1. Primary Institutional Actors

As discussed in the literature review, institutional theory suggests that an important role is played by institutional actors. The findings of this research suggest that three primary actors and four secondary actors have shaped Saudisation practices in the supermarket industry. The next section defines each of these seven actors and shows how firms are dependent on each of them in different ways.

6.2.1.1. Ministry of Labour

Several government agencies have played a key role in shaping Saudisation practices in the industry. They include the General Organisation for Social Insurance (GOSI), the Technical and Vocational Training Corporation (TVTC) and the National System for Joint Training (NSJT). However, the Ministry of Labour is one of the main government actors in the Saudisation field. The central position of this actor could be shown through the mission statement that appears on its official website:

> "To deal with the problem of unemployment with determination, to end the problem by using methods based on a clear vision of its nature and dimensions." (http://Mol.Gov.Sa).

Furthermore, the Ministry's main objective is described as:

> "Organising workforce employment through the implementation of labour law, planning and development of human resources, and the settlement of labour disputes in the private sector." (http://Mol.Gov.Sa)

During an explanation of its main tasks, the Ministry also states that its role is to:

> "Develop employment plans and policies for Saudis and execute the Saudisation of jobs in the private sector, in the light of the directives included in the Labour Law and Council of Ministers Decree 50 dated 21/04/1415 H, as well as other relevant decisions and directives." (http://Mol.Gov.Sa)

The Ministry of Labour was also the main initiator, regulator and monitoring body of the implementation of the Saudisation policy in the private sector. This critical position of the Ministry makes the private sector dependent on the legitimacy it confers. This legitimacy is important to firms if they are to appear to be legally

obedient organisations. Firms also abide by the Ministry's regulations in order to avoid penalties that might interrupt their operations and expansion plans. This dependency means that the institutional pressure applied by the Ministry of Labour has an additional impact on the behaviour of firms. The nature of this impact ranges from regulative pressures to culture-cognitive ones. Nonetheless, the main roles of the Ministry of Labour are to create regulations and laws, and to compel firms to adhere to them.

6.2.1.2. Supermarket Firms

Another primary actor in the shaping of Saudisation practices in the industry is the supermarket chains themselves. Supermarket chains in the country range from small firms with only a few outlets to large firms with more than a hundred (Euromonitor, 2010). From their first encounter with young Saudis, firms noticed the level of challenge these workers presented. The nature of the supermarket industry added another challenge. Supermarket jobs tend to have long working hours, frequent fluctuations in demand, low wages and the challenges of customer service, together with other characteristics. These features escalated the challenges to the implementation of Saudisation programmes in the industry. The main aim for the industry was therefore to achieve the optimum balance between Saudisation requirements and business objectives.

The main motive for the engagement of supermarkets in Saudisation processes was to meet the requirements of the Ministry of Labour. Supermarkets also had to ensure the minimum number of interruptions to their business flow. This balance between Saudisation and business could be traced as a core element in the formation of Saudisation practices. It is in firms that all Saudisation practices are developed. If the Ministry of Labour legislates for Saudisation, firms (supermarket

chains in this case) execute the policy. If they do not do this robustly, the policy will remain in abeyance.

This creates a dependency relationship between firms and other actors in the institutional environment, in particular with the Ministry of Labour, young Saudis and the HRDF. While firms depend on the Ministry of Labour for their legitimacy and survival, the Ministry in turn depends on the firms to generate a certain number of jobs every year, to offer these jobs to Saudis instead of non-Saudis, and to take part in Saudisation. The importance of the supermarket industry for the Ministry of Labour derives from the fact that it is one of the most labour-intensive industries, creating hundreds of jobs every year[30].

The majority of jobs offered by the industry are reasonably easy for unskilled young Saudis to perform. Supermarket chains are workplaces that require limited skills and educational qualifications (Akehurst and Alexander, 1996). The industry could be an attractive starting point for many young Saudis who are not interested in entering higher education or waiting for public sector jobs. The other dependency relation that firms have is with the HRDF, which needs supermarket chains to train young Saudis in skills required by the market and to offer them stable jobs.

The impact of firms on the institutional environment is crucial, as every practice needs to bring some value to them in order for it to be retained by the industry. The impact of an individual supermarket is mainly normative, with practices being viewed as 'the proper practice to use', as firms tend to follow industry leaders (normatively or mimetically). Firms could therefore be categorised as leaders, followers or laggards (Mirvis, 1997). This categorisation is determined by several

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[30]More recently, the new Minister of Labour stated that: "the retail sector is one of the largest areas of employment for Saudis", and embraced a project that aims to employ 1 million Saudis in the retail industry by 2020 (Al-Watan, 2011).

features, some of which will be examined in the Discussion. Firms have a secondary impact on the regulatory and culture-cognitive aspects of the institutional environment. For instance, the Ministry of Labour has changed some of the regulations as a result of responses from the industry on issues including the Saudisation quota and restricted jobs. Firms affect the culture-cognitive side of the institutional environment by changing perceptions and stereotypes of certain jobs, of what is acceptable and not acceptable in society, and of the emerging social structures of society.

6.2.1.3. Young Saudis

As important as the two previous actors are the low-skilled young Saudis who represent the main Saudi labour pool in the supermarket industry. The nature of this 'actor' is complicated and hard to grasp, since no trade unions represent them and there are no published studies about their social- and work-related attitudes and behaviours. As a consequence, ideas about the characteristics of young Saudis are reinforced as a result of perceptions or experiences. For instance, the Ministry of Labour believes that young Saudis refuse to join the private sector because they prefer the benefits of the public sector, such as financial and social prestige. As a result of the lifestyle they were born into, Saudi nationals are also thought to look down on certain labour-intensive jobs, preferring office jobs (Al-Ghaithi, q5 December 2008).

The Deputy Minister of Labour believes that Saudis generally have negative perceptions of the private sector as a result of its low wages. He has stated that:

> "For the majority of Saudis, the private sector is just an exploitative sector. And these young people believe that they are not really welcome in the sector and that

employing them is only an obligation that companies need to fulfil to operate in the country." (Al-Ghaithi, 15 December 2008)

A similar view can also be found among the firms in the industry. As an HR Officer from Firm 5 explained:

"Saudis are not hungry enough to come and work as responsible employees. Even those who come from very poor economic backgrounds want to be managers from day one, which is impossible. Moreover, my experience with Saudis shows that, while some are very good at work, the majority of them have weak interpersonal skills, especially when dealing with non-Saudis, are careless while carrying out tasks, are often distracted by other social commitments during working hours, and do no long-term thinking about their job." (17 May 2007)

Another HR Manager from Firm 5 stated that:

"Young Saudis know that we [companies] are desperate for them to stay and therefore they raise their demands beyond what makes business sense. This is a bit childish, but it is the reality that we have to deal with day in and day out." (15 May 2007)

This bargaining power gives young Saudis a critical role in the institutional environment of Saudisation. Despite all the prejudices and judgments about young Saudis, they are undoubtedly one of the primary actors in the shaping of Saudisation practices in the industry. All the actors involved in Saudisation depend on Saudis to achieve their own objectives. For instance, the Ministry of Labour has to design policies that maximise the benefits to Saudis of jobs in the private sector. Firms, on the other hand, depend on Saudis if they are to meet government requirements.

The main impact of young Saudis on the institutional environment is rather indirect, because of the absence of any form of trade union in the country. The Ministry of Labour changes regulations and laws as a reaction to the situation and to the characteristics of young Saudis in areas including wages, training and working hours. Supermarket chains also consider the needs of young Saudis when designing and developing Saudisation practices. At a normative level, young Saudis give these practices greater legitimacy, to the extent that they 'suit Saudis', 'attract Saudis' or 'retain Saudis'. Being suitable for Saudis is often the most convincing reason for firms to see a practice as good. Young Saudis are therefore confirmed as an actor in the field of Saudisation.

6.2.2. Secondary Institutional Actors

6.2.2.1. Human Resources Development Fund (HRDF)

Another important institutional actor with a secondary role in the shaping of Saudisation practices is the Human Resources Development Fund (HRDF). The HRDF was established by the Council of Ministers in July 2000 as a legal entity with administrative and financial independence. The general objective of the HRDF, as stated in their website, is "to support efforts to prepare a national workforce and help them to be employed in the private sector". In order to achieve this general aim, HRDF identified six mechanisms, as follows:

1. "Offer grants to those involved in the preparation, training, and employment of a workforce of Saudi nationals, especially in the private sector.

2. Share the expenses of preparing, training and employing the national workforce in the private sector.

3. Pay a percentage of the salary of any trainee who is hired by a private firm after he finishes his training. The same will be done for new recruits to the firm.

4. Offer financial assistance to programmes in the field, projects, plans and studies that are aimed to employ Saudis and help them take the place of the expatriate workforce.

5. Provide loans to private establishments that prepare and train the Saudi nationals in the workforce.

6. Embark on studies and research related to activities in the field of preparing, training and employing the national workforce." (HRDF Guide, 2010)

It was reported that SAR276 billion (GBP50 billion) was allocated by the Seventh Five-Year Development Plan (2000-2004) to human resources development (HRDF, 2010). This shows the power of the HRDF and other state human resources agencies over Saudisation practices in the private sector. The strength of the HRDF comes from the financial support it offers to firms in the private sector for the employment and training of Saudis. The HRDF runs a number of programmes including: training ending in employment, work-based training programmes, incentives programmes for subsidised employees, and funding for externally provided training through the National System for Joint Training. These funds vary in their requirements and methods of subsidy. Firms may use the support of the HRDF to reimburse up to 75 % of the training cost of a Saudi employee, and 75 % of that employee's salary during a given training period. This percentage amounts to a maximum of SAR1000 per month, equivalent to GBP161 per month. On the completion of training, the HRDF pays 50 % of the employee's

salary for two years, which amounts to a maximum of SAR2000 (GBP333) per month.

These financial rewards encourage firms to adhere to the HRDF standards and criteria. Legitimacy therefore intersects with a direct business benefit for firms. When firms deal with the shortage of skills of their Saudi employees, they are compensated for most of the cost involved in the process. The impact of this institutional actor is thus partly regulative (voluntary), but mainly normative and culture-cognitive. This gives the HRDF an absolutely central position in the institutional environment of Saudisation.

6.2.2.2. Quasi- and Non-Governmental Organisations (Quangos and NGOs)

The other secondary institutional actor is a group of organisations (quangos and NGOs) which operate in Saudi Arabia and are concerned with Saudisation issues, unemployment, training and development. Each organisation in this group has a different level of interest and influence on the field of Saudisation. However, the two major organisations found to be most concerned with Saudisation are the Abdul Latif Jameel Community Services Programs (ALJCSP) and the Saudi Chambers of Commerce and Industry. Other organisations such as the Charitable Society for Orphans (Ensan), and the Disabled Children's Association (DCA) also contribute, albeit modestly, to the community.

The Abdul Latif Jameel Community Services Programs (ALJCSP) is one of the most active of these organisations. In 2003, it established the Professional and Vocational Rehabilitation Programme, a special unit dedicated to Saudisation. In

its stated goals for the programme, ALJCSP mentions Saudisation in three of the five areas of focus. The programme states that its main areas of interests are:

1. "To assist young Saudi males and females to obtain jobs.

2. To provide training programs supported by interest-free loans.

3. To cooperate with the government and the private sector to alleviate poverty and reduce unemployment." (http://Aljcsp.Org/E_Our_Goals.htm)

The Saudi Chamber of Commerce and Industry is a quango that operates in 25 different cities and in many regions of the country. The Council for Saudi Chambers of Commerce and Industry is the official federation for all these chambers. However, most of the impact on Saudisation comes from regional chambers rather than the council itself. For instance, the Jeddah Chamber of Commerce and Industry has a division dedicated to Saudisation. The main aim of this division is to "build strategic alliances that support the development of the Saudi workforce in the private sector" (http://www.jcci.org.sa/). As this suggests, the main beneficiaries of its services are private sector employers to which it provides lists of potential Saudi workers and logistical support for replacement programmes to replace non-Saudis with Saudis, as well as assistance in the process of obtaining financial support from the HRDF.

The ALJSCP and the Chambers of Commerce are equally active and important in the institutional environment through the logistical support they offer to firms. The success of these two organisations derives from their distinctive ability to access and gather young Saudis in large numbers. This gives the ALJCSP and Chambers of Commerce an edge over employers' own recruitment units. The Saudisation Manager of Firm 1 confirmed that: "ALJCSP recruiting events are becoming the main form of Saudi sourcing for our company".

The influence of these organisations is primarily normative, as new practices and strategies are suggested to firms through established channels of communication. For instance, the practice of holding mass recruitment events was suggested by the Chamber of Commerce as a way promoting job opportunities to Saudis. Firms and other organisations collaborated later to make mass recruitment events a common practice in the industry. While the major impact of these NGOs is generally normative, there is also some culture-cognitive influence, as these organisations promote the virtue of supporting deprived communities and sectors of society.

6.2.2.3. The Religious Establishment

Religion (Islam) and tribal allegiance are the main elements of the Saudi national identity (Nevo, 1998). The importance of religion in the country is a result of various complementary factors. Firstly, Islam started in Mecca (*Makkah*) (in the Western Province of the Kingdom) where Mohammad (PBUH) was born and received his call to become a prophet. This geographical proximity gave Islamic traditions an extra importance in the national psyche (Nevo, 1998). Secondly, the nation of Saudi Arabia was established as a merger between the states, the Al-Saud family, and religious scholars in the family of Mohammad Abdulwahaab (known as the Al-Ashaikh family). This deeply rooted alliance between the Al-Saud and Al-Ashaikh parties has resulted in a unique political structure based uniquely on the *Wahabi* form of Islam supported by the Saudi government (Nevo, 1998).

These historical circumstances have strengthened the relationship between the religious establishment and the state, in which the former provides legitimacy to the royal family and the latter grants power and protection. This relationship has been demonstrated on many occasions, including the initiation of the Council of Senior Scholars, and the establishment of the Commission for the Promotion of Virtue and Prevention of Vice (cf. Nevo, 1998; Doumato, 1999).

The religious establishments in Saudi Arabia, whether official or non-official, are not heterogeneous in their views on political and social issues. The official Wahabi version of Islam and its establishment is supported by the government. At the same time, the religious establishment opposes the government's attempts to modernise the country. This controversial relationship has caused, and is still causing, conflicts between the two, as is demonstrated by issues such as women drivers and the employment of women in certain jobs (Doumato 1999). In Doumato's view (1999), women's issues are the last bastion in the collapsing regime of the religious establishment.

With the introduction of Saudisation, both legislators and the private sector are obliged to consider official and unofficial religious views about rules and practices. The power of the religious establishment as an actor comes from its political relationship with the state, and its capacity to assign negative classifications such as 'liberal', 'against national traditions' or even 'Westernised' to those who disagree with its views. The impact of the religious establishment as an actor could be seen as regulative when it influences regulation and normative when it influences standards. It can also be seen as culture-cognitive when it influences the religious values of Saudi society.

6.2.2.4. HR and Retail Professional Bodies

Another secondary actor concerned with Saudisation practice consists of the professional bodies for HR and the retail sector, which are both relatively new to the country, where professional bodies as a structure are, in general, fairly undeveloped. It is worth mentioning that the first legal system for associations and institutions in the country was not approved by the *Shura*, the consultative council, until 2007. The proposed system for associations and institutions is still

waiting for the final approval of the Council of Ministers. This situation reflects the size and impact of professional associations in the country. Nevertheless, professional associations for HR and the retail sector operate in the country under different legal formats. The Arabian Society for Human Resources Management (ASHRM) is the main HR association in the country. Its headquarters is in Dhahran, in Saudi Arabia and has two chapters, in Jeddah and Abu Dhabi, in the UAE. The purpose of the association, as stated in its official website, is:

"To provide a forum for the exchange of information and expertise in the area of human resources management and related fields, and to enhance the professional growth of its members through various planned activities. These objectives will be accomplished through regular monthly meetings, presentations, seminars, professional special projects, conferences, publications and joint activities with other human resource management organisations at national and international level." (http://www.ashrm.com)

To achieve this purpose, the ASHRM operates through monthly events and meetings, holds conferences and publishes a quarterly magazine (from the winter of 2008). In a more recent development, the ASHRM introduced a new HRM certificate through Texas A&M University (TAMU). This improvement in the professional bodies for HR came at a time when only one of the 21 universities in the country, King Saud University in Riyadh, offered a specialised degree in HRM. In spite of the efforts of the HR association, however, subscription to such a body has been considerably limited and is seen by some as not being useful. An HR manager of Firm 5, for example, suggested that:

"the added value of joining local professional associations is minimal. In my view, getting updates from international HR magazines and books is more helpful." (15 May 2007)

However, retail committees are seen as being more beneficial, as the HR director of Firm 5 acknowledged:

> "The role of the [retail] industry committee is far more practical and useful to our situation than the theorising that takes place in HR association meetings. … This is because in the retail committee we discuss our real-life problems such as employee turnover and unprofessional headhunting. Most of the time we fail to agree, but, even so, it is still better than the theoretical approach followed in professional meetings." (15 May 2007)

Further investigation into these retail committees found that they mostly work under the auspices of the Chamber of Commerce and Industry and are provisional rather than permanent. However, in theory, the impact of this actor is mainly normative as it suggests HR practices that may or may not suit Saudis.

6.2.3. The Three Primary Actors and Their Interaction

Alongside the progress in Saudisation practices, a new institutional field has emerged containing three primary actors, who take a critical role in shaping the environment surrounding Saudisation. Section 7.1 below describes these institutional actors in detail. The first actor is the Ministry of Labour, which advocates the emerging institutional logic in the field. The second is the supermarket chains, which struggle to find a compromise between their existing institutional logic and their emerging logic. The last core actor is young Saudis, who seek better job opportunities in the private sector that match their desires. These three actors, and the way that they interact to shape the Saudisation practices in the supermarket industry, are presented in Figure 6.1.
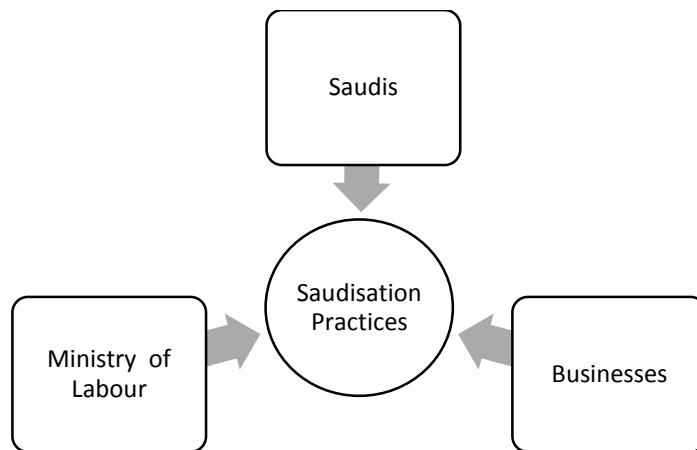
Figure 6.1: Rationale Model for Saudisation Practices

This struggle derives from the different objectives of these three actors, through which each perceives the other two. For instance, the main objective for Saudisation of the Ministry of Labour is tackling unemployment by encouraging firms and Saudi nationals to both move towards increased Saudisation, which means that the Ministry views both firms and Saudis through this particular lens.

However, the major driving force for the firms is business success and survival, and they view the actions of the other actors through that lens. They want the Ministry of Labour to give greater consideration to the business consequences of the Saudisation policy and to be more aware of the crucial variations between different industries within the private sector. Firms generally also have a negative view of the attitudes of young Saudis, especially towards work. This makes them blame the failure of any attempt at Saudisation on Saudi nationals who they claim are unsuitable for the supermarket industry.

The third actor comprises young Saudis, and comes into the Saudisation process with different objectives: these individuals aim to get decent jobs, with reasonable working conditions and fair pay. Again, the other actors are viewed through the prism of this actor's objectives. The Ministry of Labour is seen by young Saudis

as favouring the private sector and not protecting the rights of Saudis in that sector strongly enough. It is continually attacked by young Saudis for not imposing the national minimum wage on private firms. Young Saudis also have negative perceptions about the private sector, arguing that it is dishonest about its Saudisation programmes. They sometimes see Saudisation programmes as an agenda of pretence, a game, or a political battle between the Ministry of Labour and private sector firms. They see Saudi citizens as being the victims of this game or political battle. They argue that this is why firms do not meet their Saudisation quotas, and even when they employ Saudis they do not offer them competitive wages, hours or working conditions. As a result, Saudis perceive the private sector as unwelcoming to Saudis. Despite all the efforts to resolve this conflict, it is an ongoing struggle betweeen the three actors, which will continue until complete equilibrium is reached.

The discussion above illustrates the progress of the industry in its approach to Saudisation. The developments described are a reaction to a number of institutional pressures, to the characteristics of Saudis and to the desire to achieve business advantages. The development in Saudisation peaked further in 2003, when a set of practices designed to ensure the full utilisation of Saudis became more robustly structured. These practices were intended to gain both legitimacy from the government, and support from NGOs and quangos concerned with Saudisation. This research study has established that a relationship exists between the level of involvement of the Ministry of Labour and the level of adoption of Saudisation practices in organisations. As a result, the bargaining power of unskilled Saudis has increased. Figure 6.2 below shows the antecedents and consequences of this process for each key actor.
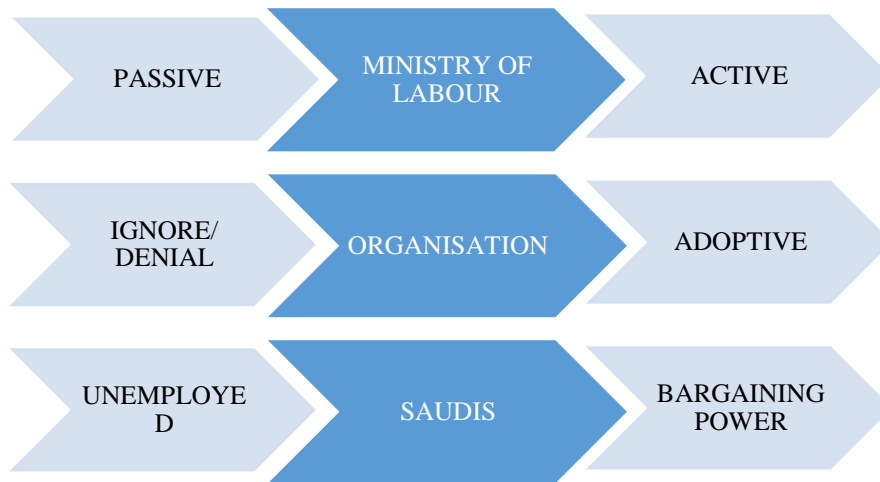
Figure 6.2: Antecedents and Consequences of Saudisation

The practices discussed throughout this narrative have had different degrees of adoption in the industry. While some practices, such as training, were diffused heavily among firms, some other practices were stagnant and reversely diffused, such as part-time employment and the employment of women. Nevertheless, the aim of the narrative was to describe the process by which these practices are shaped and developed into their existing forms. Institutional pressures act to compel and enable firms to develop their Saudisation programmes. Therefore, all practices were bounded by the features of the policy and reflected the changes occurring during this time.

The business objective was the main motive in shaping Saudisation practices in firms, with the aims of prospering, surviving or avoiding sanctions. It was therefore business objectives that encouraged firms to consider new practices, or opportunities for alliances or partnerships, in order to minimise the cost of Saudisation. While Saudisation practices were shaped by institutional pressures and business objectives, they were also constrained by the characteristics of the Saudis that firms needed to attract, retain and capitalise on. Figure 6.1 represents the way that these three forces determine a 'Saudisation practices equilibrium

point', which both the industry overall and individual firms aim to achieve. In some cases, the three forces were aligned, and worked towards the same diffusion or reverse diffusion pattern. In other cases, the forces were either unstable and/or in opposition. As a result, practices continued to evolve until they reached equilibrium. The next section examines each of the practices within each individual firm in order to explain how the firms varied in their adoption of practices.

6.2.4. Saudisation Objectives: the Perspective of Firms

Following the data presented earlier about Saudisation practices in the supermarket industry, we can conclude that firms strive to achieve three Saudisation objectives: attracting Saudis, retaining Saudis and capitalising on Saudis. As Table 6.1 shows, each of these objectives is a response to constraining and enabling forces in the environment. For instance, attracting Saudis results from the national Saudisation policy that puts a quota on the nationalities of employees in each firm.

The objective of attracting Saudis is constrained by the characteristics of young Saudis who prefer the public sector, being attracted by short-term financial gain, and having concerns about joining the supermarket industry. On the other hand, the objective of retaining Saudis is a response to the requirement of the national Saudisation policy that firms must maintain the Saudisation quota and restricted jobs at all times. However, the objective of retaining Saudis is better understood with the knowledge that young Saudis have a higher tendency to malinger or quit than non-Saudis. Finally, capitalising on Saudis fulfilled the desire of firms to most effectively utilise their human resources. Furthermore, the objective of capitalisation is enabled by the funds dedicated to improving the skills of young Saudis.

Business Objective	Attract Saudis	Retain Saudis	Capitalise on Saudis/ Saudisation
Institutional Force	Saudisation quota Restricted jobs	Maintaining quota and restricted jobs	Training Saudis
Characteristics of Saudis	Prefer public sector jobs Attracted by money Have negative perceptions of supermarkets as employers [31]	Tend to malinger and quit more than non-Saudis	Lack of skills Lack of attitude

Table 6.1: Saudisation Objectives from the Perspective of Firms

These objectives are usually progressive, as increases in Saudisation ambitions lead firms to seek a more sustainable Saudisation plan. Firms with basic Saudisation ambitions aim to attract Saudis, while firms with high ambitions aim to retain the best Saudis they attract and utilise them effectively. The next section describes each of these objectives in more detail.

6.2.4.1. Attracting Saudis

The first Saudisation objective for businesses is to attract the required number of Saudis to meet the minimum quota for specific restricted jobs in the private sector. This objective became challenging for medium and large organisations that had to attract hundreds of Saudis each month in order to meet the requirements of the Ministry of Labour. Firm 5, for example, underwent a rapid expansion between 2003 and 2007, and saw a more than three-fold growth in employees, from 2,619 to 8,182. This high employee turnover meant that hundreds of Saudis needed to be taken on each month in order to match the required Saudisation quota. According to the HR director of Firm 5:

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[31] This table summarises conclusions based on the findings presented in Section 5.2 of the Findings.

"Sourcing Saudis for one new hypermarket requires us to hire at least 150 Saudis [both experienced and entry-level] who need to be ready to work on the opening day. We also need to secure another fifty or so more just to replace any Saudis who leave. In many instances, young Saudis leave the company on their first day on duty as a result of unexpected pressures. All these issues and other factors have to be taken into account when planning our manpower budget." (15 May 2007)

The desired outcome of the objective 'Attracting Saudis' is to have enough Saudis listed in a firm's records, that they can satisfy the Ministry of Labour when they are presented for inspection. This basic level of Saudisation has to confront the reality that Saudi nationals are hard to retain, which makes this objective never-ending. The continual need to attract Saudis forces firms to use many different methods to make their businesses more appealing to Saudis. These methods include approaching wider labour markets, improving recruitment processes and altering the process of reporting Saudisation to the government.

6.2.4.2. Retaining Saudis

Attracting the required number of Saudis to firms is not the end of the process but the beginning. Firms have to continually attract and retain Saudis, partly because young Saudis have a high tendency to malinger, by not fulfilling their work duties or by quitting. According to an independent recruitment manager:

"Young Saudis are not willing to work in the private sector in the first place, and even if they decide to join it, they will come with the attitude that 'companies need Saudis to meet Saudisation percentages, so let's use this bargaining power to do whatever we want to do. If [companies] don't give us what we need, we'll quit.'" (25 July 2006)

This attitude has resulted in widespread laziness, high absenteeism and high employee turnover in the private sector. To quote HR Manager of Firm 2:

> "We've tried every possible way and we're still trying to control this annoying phenomenon [high employee turnover], but it doesn't seem that we'll ever succeed. The problem is not only one for us: every firm is facing the same challenge, with Saudis never staying in the same job for more than three to six months. They either leave without any notice, or ask you for an unrealistic salary increase as a condition of staying. In some cases we find that they leave us and go to our competitors for just a little bit of extra money." (2007)

The reality of high turnover among young Saudis has created continual pressure on firms when they design their Saudisation practices. Having strong practices in place to attract Saudis does not replace the need to use special strategies to retain them. These have included dynamic reward systems, maintaining a waiting list of Saudi candidates to deal with shortages, and tapping into new labour markets which have a higher tendency of retention.

6.2.4.3. Capitalising on Saudis

The third objective of the Saudisation process in firms is to capitalise on Saudis. The key aims of this objective for firms are to maximise their use of Saudis, and to exceed simple compliance with government requirements, to meet the minimum Saudisation quotas and to employ Saudis in restricted jobs. This goal could be viewed as more strategic than the attraction and retention objectives. This objective reflects the commitment of firms to Saudisation programmes, as it makes a perfect business case for Saudisation through the efficient utilisation of available resources, especially for firms with large numbers of employees. To

achieve this objective, firms have to manage their Saudisation practices more sustainably than for the previous two objectives.

From their first-hand experience of them, the firms observed that young Saudis lack the right attitude, commitment, knowledge and skills required to perform competently in the retail industry. They therefore had to choose whether to accept these intrinsic characteristics of Saudis and pay their increased salaries in order to maintain the mandatory Saudisation requirements, or to subject them to intensive selection and development programmes to bring the best out of them. The next section attempts to explain how organisational strategies were shaped to serve this purpose and how they evolved over time to achieve sustainable Saudisation practices.

6.3. Saudisation Practices as Strategies

In their attempts to achieve their Saudisation objectives, firms had different experiences with the government that shaped both the regulations and the practices of firms. As a result, Saudisation practices were either newly created, developed and reformed, or cancelled altogether. For example, the Saudisation practice of competing for Saudi candidates (discussed in Section 6.3.1 above) had led to the practice of providing compensation and benefits. This section discusses the development of Saudisation practices through seven thematic strategies.

6.3.1. Competing for Saudi Candidates

The inception of Saudisation in the country had signalled the start of the battle for young Saudi talent, producing several levels of competition for young Saudis between supermarket chains. The first was in the labour market, where

supermarkets had to compete with the rates of pay, job security, less demanding workload, shorter working hours, and guaranteed annual salary increment of the public sector. Supermarket chains had also to compete with other industries within the private sector, such as manufacturing and other retailers, with their better salary scales and higher status. The third level of competition occurred within the supermarket industry itself. Although all the firms in the industry made comparable job offers in terms of compensation and benefits, companies had to differentiate their positions in order to ensure a continual steady influx of Saudis. Table 6.2 below illustrates these three levels of competition and the main characteristics of the jobs offered at each level.

Sector	Public Sector	Other Private Sector Industries	Supermarket Chains
Characteristics	Job security Annual service salary increments Convenient working hours Lighter workload	High salaries Prestige	More demanding workload Relatively low salary scale for private sector Fewer qualifications needed

Table 6.2: Three Levels of Competition

To deal with existing competition, firms in the supermarket industry started targeting lower-skilled young Saudis, mainly school-leavers. The business justification for this choice was the high supply of such people in the market[32] and the relatively low reservation wages they would accept. However, while this labour segment brought some advantages to these firms, it also came with the challenge of lower levels of skills, a higher level of turnover, and more social and attitudinal problems (HR Director, Firm 5, 15 May 2007). Nevertheless, the industry was obliged to accept the fact that this would be the main source of Saudis in the years to come.

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[32]Students in the kingdom may leave school after the age of 15, with the permission of their legal guardians. Otherwise, they must stay at school until the age of 18. The legal age for working as a part-timer or during school holidays is 15. There are 1,144,938 male students at elementary level; 532,646 at intermediate level and only 460,010 at secondary level. This reflects the number of dropouts from general education in the country.

In response, supermarket chains started to offer competitive salaries to young Saudis so that they could compete with their rivals in the industry and with the public sector[33] (Senior HR Officer, Firm 5, 13 September 2010). The average salary level in the supermarket industry at that point was one-third of the average salary of other retail industries including textiles, electronics and cars. However, unskilled Saudis started to apply to supermarket chains despite the negative social image associated with the industry in Saudi communities. Within months, Saudis were working permanently in supermarket outlets, particularly in roles such as cashier, security guard, merchandiser and bagger[34] (Senior Trainer, Firm 5, 13 September 2010). As the Saudisation Manager of Firm 5 confirmed:

> "When we started attracting Saudis through intensive work, we offered them good salaries and we promoted working in our stores as a decent thing for young Saudis to do … I think we started something positive by doing that [introducing Saudi cashiers] and everyone else thought they should copy it. That's exactly what happened. And within a few months we were followed by our competitors who started to get Saudis on board." (16 May 2007)

Supermarket chains worked out that offering more money was the fastest way to attract the required number of Saudis. This meant that a hostile 'wage war' between firms in the industry was started through spontaneous changes in entry-level salaries, intended to attract Saudis from the labour market or preferably from competing supermarkets. This 'wage war' developed into feverish headhunting of Saudis, especially those of high calibre. This war peaked in 2006 when some supermarkets were reported to be appearing in the stores of their competitors to headhunt trained cashiers (Saudisation Manager, Firm 1, 15 June 2007).

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[33] The support of the HRDF (50% of two years' salary is subsidised by the fund) is directly connected to the increase in overall wages in the industry.

[34] The job title of 'bagger' was changed to 'assistant cashier' in some supermarket chains to change the social image of the position.

It was not long before firms started to realise that this 'wage war' was causing tension within the industry, as the Saudisation Manager of Firm 1 described:

> "This oscillation in salaries gave us a lot of unintended complications. It just goes like this: when you offer a newcomer, a young Saudi with no experience and no technical skills, a higher salary than someone you hired years before, the older person gets really demotivated. Despite all his years of experience and all the salary increases he could have had, the older person is not getting what the younger is being offered to join the company today." (15 June 2007)

The main problem with the wage war was that it was impulsive and completely unsystematic. More importantly, the salary increments occurred in isolation from the central pay scale of the other employees, which led to negative reactions from older and more valuable employees (Store Manager, Firm 5, 17 May 2007). Although some large firms started to believe that the impulsive salary war should be stopped, smaller firms kept it going as the most efficient means of achieving the required Saudisation quota with the minimum effort. It is significant that despite all the alterations to salaries offered to Saudis, the level of satisfaction among them did not rise (*Saudi Gazette*, 25 October 2009).

In order to set wages at a reasonable level, in 2005 the Ministry of Labour introduced a voluntary national minimum wage (NMW), starting at SAR1500, or GBP250, per month. The minimum wage was further enforced by the HRDF, who included it in its funding criteria (Saudisation Manager, Firm 1). However, it remained voluntary for the private sector, in order to avoid a backlash (Deputy Ministry of Labour, n.d.). Therefore, firms could set their entry-level salaries at a **level** determined by their business objectives, rather than adhering to the NMW.

Large firms became aware that while this salary war might have the short-term effect of attracting Saudis, it was not a practice that firms could rely on in the long term, as the HR director of Firm 5 stated:

> "We are gradually moving away from reacting by increasing cashiers' salaries to offering them competitive packages including basic salary, benefits and social status." (2007)

The wide range of complementary benefits offered by supermarket chains to attract Saudis included some legally enforced practices, including health insurance[35], thirty days of annual leave[36] and end-of-service benefits[37]. Other benefits, however, were the result of HR/industry influence. These included performance-related pay, bonuses and personal loans. These benefits made the industry more appealing to Saudis.

The socially negative perceptions of jobs in the supermarket industry made it more of a challenge for firms to attract young Saudis. Firms in the industry varied in their approaches to changing such perceptions of their firms and of the industry as a whole, as the HR Director in Firm 5 described:

> "We can't compare ourselves to firms in other industries or the public sector, but within the supermarket industry we are quite prestigious. Young Saudis are starting to recognise that working for us offers much more than good salaries, it offers them social status too." (15 May 2007)

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[35]Health insurance became obligatory for all Saudi employees in decree 206 of the Council of Ministers (Cooperative Health Insurance') in 2003

[36] Saudi labour law obliges firms to offer employees a minimum of 25 days paid leave per year.

[37] Saudi labour law obliges firms to pay end-of-service benefits amounting to half a month's salary for each year of the first five years of employment and a full month's salary for any further years of service.

This competition with other industries and the public sector therefore forced the supermarket industry to develop a competitive compensation and benefits system as a core practice to achieve Saudisation.

6.3.2. Constructing the Saudi Recruitment Process

One of the main strategies used to attract the required number of Saudis was widening the sources of recruitment. This challenge led firms to consider various tactics and channels with which to attract young Saudis. The first strategy used by large firms was the establishment of 'recruitment units' to promote jobs in various media such as newspapers and websites. Shortly afterwards, candidates started to approach firms for jobs. These candidates were the initial impetus behind applicant databases, a strategy which the industry found to be very useful. However, managing such databases was not always straightforward, according to a Recruitment Officer in Firm 5:

> "Managing the [applicant] database is much harder than it might sound: we receive thousands of applications from all over the Kingdom. We shortlist based on certain criteria, then we need to call each applicant individually by phone. The main problem, though, is that when you call them for an interview [which usually takes place a few months after the application], you find out that most of the applicants have already found jobs elsewhere or have joined universities or colleges and are not interested in working for us any more." (13 September 2010)

However, firms worked out through trial and error that the solution to their continued demand for Saudi talent might be the mass recruitment events hosted by the Chambers of Commerce[38], and the National System for Joint Training[39]

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[38]The Council for Saudi Chambers of Commerce and Industry is the official federation for the 25 Saudi Chambers of Commerce. The Council was formed under Royal Decree no.6, dated 30/04/1400 Hijri (March 1980) with its head office in Riyadh. Its main objective is to serve the common interests of the Saudi

among others .This form of recruitment was found to be a useful way of reaching hundreds of young Saudis at the same time. The strategy was principally aimed to gather job seekers in one place, where firms were able to simultaneously promote job opportunities, screen interested candidates and make job offers to successful candidates. According to the Assistant HR Manager of Firm 2:

> "An unimaginable amount of time and effort has been saved by the introduction of this idea [mass recruitment events]. We do not need to promote our regular cashier and security jobs any more. We do not need to call candidates and chase them. We do not need to have a daily routine of meeting candidates. As a result, this practice has saved our company a lot of money." (22 June 2007).

Because of the business need, together with the support of non-governmental and quasi-non-governmental organisations for these events, mass recruitment had become one of the most diffused practices in the effort to attract Saudis into the industry. Nonetheless, some firms still operate their own databases of Saudi candidates so that they can source employees independently and serve each company's particular needs.

Another recruitment strategy employed by firms to help them meet the government requirement to maintain the Saudisation quota at a constant 30 per cent is the establishment of a 'qualified applicants pipeline'. The aim of this idea is to produce qualified Saudi applicants, who have passed the recruitment process, but have not yet become regular employees of the firm. The idea works by managing the flow of Saudi employees into the firm so that employees can be taken on as soon as they are needed. The 'pipeline', therefore, minimises the downtime usually incurred when replacing Saudis. It also makes it possible to

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chambers, represent them at local and international levels and assist in developing the role of the private sector in the development of the national economy (http://www.csc.org.sa/english/Pages/default.aspx).

[39] The National System for Joint Training is a programme that combines the recruitment and training functions of the General Organisation for Technical Education and Vocational Training (GOTEVOT), the HRDF, the Chamber of Commerce and Industry, and the private sector.

control the overall percentage of Saudis in a company at all times (Manpower Planning Manager, Firm 5, 16 May 2007).

When designing and managing a 'pipeline' of Saudi employees, consideration is given to three main variables: the average turnover rate of Saudis[40], expansion plans and seasonal fluctuations in the demand levels of stores. However, qualified candidates need to be kept in the 'pipeline' for as little time as possible, or they might either lose interest in joining the firm or find another job somewhere else, as the Manpower Planning Manager of Firm 5 reported:

> "The fast-moving cycle of Saudis happens around the clock. We need to be proactive; we can't leave things to chance here. Our aim is to keep the fluctuation in the number of Saudi employees at an acceptable level at all times. However, sometimes we succeed and sometimes we fail." (16 May 2007)

It is important to mention, however, that this practice is mainly found in large organisations with high expansion plans and sophisticated HR systems. Smaller firms facing a less complicated situations did not require sophisticated systems to handle this downtime.

6.3.3. Strategies to Avoid or Limit the Impact of Saudisation

Some organisations use strategies to avoid or limit the impact of Saudisation on their work. One of these approaches was a 'workaround', whereby a firm would operate under a legal entity that requires lower quotas of Saudisation than retailing. For instance, one of the firms studied in this thesis was found to have

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[40] The Saudi turnover rate vary from one month to another. For instance, the rate will be at its highest the month before the summer holiday, and at the end of the summer holiday when some employees enrol in universities.

used its 'construction' licence[41] to reduce the required Saudisation quota from 30 % to 20 % according to the policy of the Ministry of Labour. This ten % drop in the Saudisation quota affected the number of Saudis needed by the firm. However, while this 'workaround' is legally and economically feasible, it is not always possible for all the firms in the industry to use it. This practice reflects a shortcoming in the national Saudisation policy which favours some supermarket chains over others.

A more attainable method of reducing the number of Saudis needed in firms is subcontracting. By outsourcing peripheral employees such as cleaners and merchandisers, the total number of employees in firms can come down by ten %, which means that firms need to employ fewer Saudis themselves in otder to meet the required Saudisation quota. While this practice is beneficial from a business point of view, it is not something that is seen throughout the industry, a point confirmed by the HR Manager of Firm 4:

> "It might be the case that this exercise will decrease the number of Saudis we need, but, on the other hand, having full power and control over every single employee in the company means efficiency in store management and also better quality for our customers." (20 June 2007)

To reach the third objective of Saudisation (capitalising on Saudis), firms started to review their recruitment processes and the criteria they used when hiring Saudis. The business rationale behind this review was to test candidates' readiness and willingness. Readiness was now a prerequisite for Saudis joining these firms.

The most common way of screening candidates used in the industry is face-to-face interviews, which attempt to evaluate the fit of the candidate for the potential job.

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[41] This firm is part of a holding group that has a large legal identity as a construction firm.

Some of the criteria for accepting young Saudis were summarised by the HR Director of Firm 2 as follows:

> "The [candidate] has to first of all be serious about work, and ready to follow the instructions of his non-Saudi managers. These qualities are secondary, of course, after we have checked their background and criminal record." (22 June 2007)

Ensuring that candidates possess these qualities continues to be the biggest challenge for firms. As a result, they have developed their own ways of screening candidates as the most practical ways of avoiding undesired consequences. Having the best standards of recruitment has never previously been seen as a crucial part of capitalising on Saudisation. The Recruitment Officer of Firm 5 stated that:

> "I have a maximum of five minutes to make a judgment about whether the candidate is fit for our company or not and, if he is fit, where he might best fit in. Things happen very quickly here, because we need hundreds of Saudis every month." (13 September 2010)

However, the large number of applications to the bigger firms made it hard for them to meet all applicants face-to-face. A collective screening process was therefore introduced to test the general maths and literacy of the applicants, to assess their suitability for cashier jobs. These screening tools were used both to shortlist the suitably qualified candidates and to find the most appropriate job for each applicant.

In addition to the collective screening, drug addiction examinations were added to the recruitment procedure as a result of the increase in the number of drug addicts

in the country, especially among the young. This was explained by the Saudisation Manager of Firm 4:

> "We go conduct the test as follows: if there is a suspicion about an applicant [being a drug addict], we send him for a drug test to one of the service providers. The person himself has to pay the test fee (SAR150/GBP30); if the test result is negative, the fee is fully reimbursed If we did not do that, he would never come back again. That happens all the time [that candidates do not return]." (20 June 2007)

It is important to note that most of these changes to the recruitment process were introduced to deal with the main segment of Saudis in the firms studied (those seeking low-level jobs). Totally different approaches were developed in the industry to bring higher-calibre Saudis into managerial positions. Although the number of Saudis needed at the senior level of firms was limited, capitalising effectively on their potential could have a massive effect on a firm. Nevertheless, despite the business rationale for employing highly qualified Saudis with a better understanding of the country, there is not enough institutional support for this strategy to justify its financial implications. According to the HR Manager of Firm 4:

> "We would like to have more Saudi managers in the company, and we are now gradually managing it … After all, we face the reality that a Saudi manager who might be earning SAR10,000 (GBP1600) per month is equivalent, as far as Saudisation is concerned, to a single Saudi earning SAR1200 (GBP200). So as a business case, the same SAR10,000 gets us three foreign managers and a Saudi cashier. However, as I told you, we are gradually bringing in more Saudi managers." (20 June 2007)

6.3.4. Dynamic Reward Systems

The industry employs compensation and benefits in order to retain high calibre Saudis. The provision of compensation and benefits has been exploited by the development of a dynamic reward system. The rationale behind this system was a response to the nature of young Saudis, who are mainly short-term or money-driven employees. This meant that the system had, in general, to offer employees progressive changes in salaries within a shorter period of time. Some firms built several increases into employee salaries during the first six months to a year of employment. This was explained by the HR Manager of Firm 3:

> "The quick changes in compensation schemes were intended to deal with the psychology of the newcomers, because it gave them the incentive to stay longer. So they can expect an increase in their income every couple of months which gives them a positive feeling about working for the company." (5 July 2007)

However, managing the cost of those employees forced firms to slow the pace of salary increases after the first year of employment. After the first year, salary reviews started to take place once a year, and increments were then based on the employee's performance appraisal. This was explained by the Saudisation Manager of Firm 1:

> "The first three to six months is the most critical time for Saudi cashiers. If we succeed in keeping a person for the first six months then there is a greater chance of keeping them for a few years .The reason why young Saudis quit in the first few months is that they discover the nature of our work, the hard work they have to put in – sometimes dealing with awful customers and so on. This reality makes them reconsider their decision to join the company as a cashier. So the financial incentive does help at those more difficult times." (15 June 2007)

Firms in the industry also employed benefits designed to retain employees in general, and entry-level Saudi employees in particular. For instance, in some firms, employees with at least two years' service are entitled to personal loans and wedding-support loans[42]. These time-bound benefits usually augment the work of the annual salary review to retaining employees after the first year of employment in the industry. It is important to note here that these benefits were suggested by HR professionals, as the HR director of Firm 5 declared:

> "I have been closely studying the problem of employee turnover since I joined the company. Whether this problem is inherent in the industry or not, we have to deal with it with all the means we have. The solutions to employee turnover prescribed by HR books and research are useful, but, in my view, understanding the context of Saudisation is more critical when attempting to rectify any problems." (15 May 2007)

6.3.5. Employee Development

The promotion of training and development within organisations is a common practice in the industry, as part of its offer to young Saudis in order to retain them. This perspective on training has become more popular among Saudis, for whom future job opportunities are associated with training they have undergone. Therefore, firms that offer some structured training can both enhance the level of their own employees and present themselves as caring organisations that are worth considering as long-term employers. Firms use the provision of training and development as a way of attracting and retaining Saudis, and of promoting their image as considerate or patriotic employers. One of the supermarket chains stated,

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[42] These are interest-free loans that aim to give Saudis a sense of stability and security at work; they also assure the company that the employee will stay longer in order to pay off what he owes.

in a media report of 2007 entitled 'More than 20 Million Riyals Investment in Training', that:

> "The idea of setting up a training body comes as a reflection of the Board of Directors' vision and the company investment in national human resources development. The objective of such an initiative is to enable Saudis to carry out their duties efficiently and effectively in order to achieve stability and job security." (AMEinfo, 2007).

It is important to note here that training in the industry as a whole is supported financially by the HRDF something which presents a strong business case to firms for the training of Saudis. 75 % of the cost of training and 50 % of the cost of employment is subsidised by the government, so firms benefit from having trained Saudis as part of their operation and from the improved public relations (PR) produced by this investment in training. Not surprisingly, the first training academy in the industry was started in Firm 5 immediately after they had signed their first support agreement with the HRDF.

The best way to capitalise on Saudis is the provision of training and development, which is directly connected to a Saudi employee's productivity at work. The provision of training was booming in the whole industry from 2002 onwards. The return on training was celebrated by many managers in the industry. For instance, the CEO of Firm 5 emphasised that:

> "Saudi employees are now not just a number in our records, they are a central part of our workforce, and it is thanks to our firm's training academy that this transformation has been made possible." (15, May 2007)

The training function has developed significantly in the industry within a short period of time, changing from a unit delivering basic skills in large supermarkets to a phenomenon with various formats and structures in every supermarket chain. However, the benefits of training in the industry have remained focused on entry-level Saudi employees. Firms provide newcomers with inductions concerning supermarket operations and basic skills related to their particular jobs. The majority of Saudis join the supermarket industry as cashiers and security guards, and as a result, most of the training resources are allocated to equipping Saudis to carry out these two roles.

6.3.6. Controlling Turnover

Despite the efforts made to retain them, the turnover of Saudi employees stands at 60 %[43], a high level which continues to pose a real challenge to Saudisation. According to the HR Director of Firm 5:

> "We have to think differently here: we could be hiring the wrong kind of Saudis, and then we would have to rethink our screening and recruitment criteria. Maybe we are focusing too much on young Saudis; maybe we need to consider older Saudi men, women, university students and maybe other groups. This is what I mean by thinking differently." (15, May 2007)

The supermarket industry has been experimenting with different segments of the Saudi labour market to solve the problem of high turnover, in the hope of finding a type of Saudi worker that is more reliable and committed. They have experimented with groups including orphans, young Saudis from low economic backgrounds and women. Firms have also sought different employment formats,

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[43] However, no employee turnover was reported among non-Saudis in the industry.

including *part-time contracts,* to attract a diverse range of Saudis with a tendency to serve longer in firms.

The idea of part-time working came late to the supermarket industry, which predominantly employed foreign, low-paid workers, with limited demands on their working hours. This situation placed labour costs in the industry at an all-time low, which was optimal for business. However, with the emerging need for Saudi employees in the industry, firms were faced with a set of new conditions. These new circumstances all related to the nature of young Saudis, as expensive but less committed labour, the opposite of those employed during the earlier pre-Saudisation era. This new development challenged the suitability of the existing work demands and the likelihood of Saudis joining the supermarket industry on a full-time basis.

This challenge led some firms to the notion of part-time employment. The idea of part-timers in supermarkets has a straightforward rationale: the industry needs an employment format that matches the fluctuation in the number of customers, or the demand level. Therefore, employing part-timers could be a cost-effective approach to splitting work into shorter segments of time that might fit the levels of demand. This business rationale makes even greater sense in the context of Saudisation. A single job vacancy could be filled by two or three part-time employees, thereby increasing the number of Saudis in the firm. Part-time employment could also be a better way of dealing with absenteeism and employee turnover problems, as the HR Director of Firm 5 explained:

> "'Part-time' in my view is a solution to the many problems the HR department is facing at the moment. Let me give you some examples: [with part-time employment], instead of arguing with them [Saudis] about deducting the hours when they were absent, a completely new logic will be introduced, where employees get paid according to the actual hours they have worked during the

month. Also, [by implementing the part-time idea] we can save the company a lot of money by hiring better Saudis, such as mature university students who might be keen to join us as part-time employees, which might indirectly help us control the high turnover [rates]." (15 May 2007)

In spite of all the business justifications for using part-time employment, the practice was far from being diffused in the industry. An examination of the Saudisation policy might offer a possible explanation for this. The policy states that Saudis have to earn SAR1200 (GBP200) per month, the minimum National Insurance contribution, in order to be counted as a Saudi in the workforce. As a result, all the Saudis who earn less than this amount, including part-timers earning less than SAR1200, are excluded from the Saudisation calculation. Firms therefore have to enrol part-timers in GOSI and pay the contribution of 18 % of their monthly salary regardless of the number of hours they work. Although this amount is insignificant, it appears to be hindering the practice of part-time working, as the Saudisation Manager of Firm 1 made clear:

"Both labour law and the Saudisation policy are discouraging us from thinking about part-time employment. We know that it is a common practice elsewhere in the world, but without the legal system backing us up, it seems that we will not be able to get there on our own two feet. We are barely surviving with full-time Saudis, and you're thinking about part-timers. I don't think the market is ready for such a change." (15 June 2007)

While some firms saw the legal aspects as a hindrance, others blamed the slow move to part-time working on the operational capacity of firms. The HR Manager claimed Firm 5 that:

"It is a new concept for the industry, and there is usually resistance to any change. And the way I see it, that resistance is mostly coming from the operations

side of the business, especially the Operations Manager and store managers, who think that Saudis are useless, and will be even worse if they are part-timers. The challenge for us is to show them [i.e. the Operations Managers] how beneficial it is financially and operationally to have mature Saudi part-timers in our stores." (15 May 2007)

The other practice used to deal with high turnover in Saudis is employing women, a common practice in supermarkets internationally. Business rationale recommends employing women in supermarkets for many practical reasons. Firstly, they are assumed to be more friendly to customers and more likely to be retained, and to show higher levels of commitment. From the point of view of Saudisation, there is a much greater supply of women and they are equivalent to two male workers when the Saudisation percentages are calculated[44] (Senior HR Officer, Firm,5, 13 September 2010).

The practice of employing women is still reversely diffused in the industry and in the private sector at large[45]. This study found that various legal and social factors were stopping the practice of employing women from becoming widespread. Although the Saudi legal system encourages the private sector to engage women in their workforce in many different ways, the same legal system has also imposed tough restrictions on the employment of women. They include the sex-segregation policy, seen by many managers as controversial. To quote an independent recruitment manager in the sector:

"What is sex segregation? What is the definition of sex segregation? Are our hospitals [in the Kingdom] sex-segregated according to the regulations or are

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[44] In 2006, women represented 56% of university graduates in Saudi Arabia (AlMunajjed 2010). The rule of one woman being counted as the same as two men was abolished in 2010.
[45] According to Al-Munajjed (2010), Saudi Arabia is among the countries with the lowest level of female participation in its workforce, at 14.4%, with an unemployment rate of 26.9%.

they not?[46]. If the answer is yes, then why don't we have the same system elsewhere in the country?" (25 July 2006)[47]

Firms are unable to make progress in employing women because of social restrictions. Most of this pressure comes from the community in general and the religious institutions in particular. Despite their limited interventions concerning Saudisation, the religious institutions have powerful influence through the Council of Fatwa and senior scholars, and work to maintain and strengthen the policy of sex-segregation in the workplace. They prevent any breaches of the sex-segregation policy through inspections by the Commission for the Promotion of Virtue and Prevention of Vice. In order to receive community support, the religious institutions apply particular descriptors to those who disobey the sex-segregation concept: 'liberal', or 'against the country's traditions'.

A major symbolic act by the religious institutions recently succeeded in suspending a deadline imposed by a 2006 decree of the Ministry of Labour, forbidding men from working in women-clothing shops. Unofficial websites reported that senior religious scholars approached a high-level authority in the country and, as a result, the decree was suspended a few days before it was due to come into force. Further details were given by the HR Manager of Firm 5:

> "Like the other companies in the sector, we had to replace Saudi men with women in the women's clothing sections of our hypermarkets, so we changed the design of one of our hypermarkets to give women some privacy while they shopped [and to meet the sex-segregation policy]. We hired the right number of Saudi women and we gave them the required training. A few days before the deadline, we were informed that the decree was not valid any more, and the

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[46] The health sector is one of the few sectors where men and women work side by side without any restrictions or intervention under the sex-segregation law.
[47] It is worth mentioning that the majority of female hospital nurses are non-Saudis. This difference effectively weakens the resistance to mixed-sex working.

Minister of Labour himself came and announced that the deadline had been changed and the new deadline would be announced later." (15 May 2007)

However, the section of the Saudi public with traditional or conservative views supported the views of the religious institutions about women at work (Doumato, 1999). Firms in the industry, therefore, had to value their customers' views about women's involvement in stores. Within the community, some minorities were still applying pressure to strengthen the position of women at work in general and in women's lingerie retailers in particular. For instance, a campaign started in the country with the aim of feminising lingerie shops which were until that point run by men. Despite the changes in people's perceptions of the viability of feminising these shops, the legal requirements for the design of shops run by women are found by many firms to be impractical. As *Al-Arabia* reported:

"The municipality requires stores to be completely shaded so they do not show what is inside, and to have a security guard, and barriers at the entrance" (23 February 2010,)

In addition to the ongoing debate about the employment of women in the retail sector, a hidden but growing phenomenon is gradually becoming more normal: the employment of female security guards in hypermarkets. One of the reasons for the lack of resistance to this was that such security guards work undercover; as a result, they were not open to inspection. Firms also had increasing need of female security guards to deal with issues involving female customers, so their use has been very much welcomed. However, this trend has not been embraced completely within the industry, partly because it lacks the required support of legislators and partly because of the ambiguity of their business returns. Large firms in the industry were still pioneers, however, in the search for a secret formula to combat high turnover in the Saudi workforce.

6.3.7. Saudisation as Public Relations

Capitalising on Saudis and Saudisation has also had the hidden benefit of enhancing public relations, which has worked as a positive enabler and motivator for businesses. Firms seek to publicise their Saudisation efforts in order to gain positive effects in their public relations programmes. The underlying social assumption here is that firms who support Saudisation policies, initiatives and schemes are taking part in the development of the national workforce and are investing in the local community. Like the private sector as a whole, the supermarket industry used the percentage of Saudis in their firms in their PR campaigns.

As a first publicity strategy, firms portrayed themselves in the media as genuine national actors contributing to the development of human resources in the country. This contribution included being a serious employer of Saudi nationals, and providing competitive, or at least reasonable, salaries and sufficient training. For example, many newspaper reports about store openings in the industry featured headlines such as: "The New Hypermarket is operated by 430 New Staff, including 146 Qualified Saudis" (*Asharq Al-Awsat*, 14 February 2007). In relation to this, the website of this particular firm stated that:

> "The company has become a pioneer in the field of Saudisation in the retail sector. (…) The total number of Saudi staff has passed 4000. This is the highest percentage of Saudisation in the retail sector, and is also higher than that of many other sectors." (Firm 5's official website, 2010)

Pictures of Saudi employees are also becoming very popular in the press releases of supermarket chains, and appear in many company publications, including leaflets and websites.

6.4. Conclusion to Analysis

As this research is concerned with understanding HR Saudisation practices in the supermarket industry, this chapter presented an analysis of its findings by applying the explanation-building analysis technique to interpret the data gathered for this thesis. The chapter aimed to establish the ways in which Saudisation practices were formed. The general theme of Chapter Six was the development of Saudisation practice, and the different shapes and forms it has taken. It first appeared in the Saudisation policy set out by the government and then further appeared in the ways in which firms reacted to the policy, either through denial, reactive or adoptive responses. The chapter ended by presenting the developments in the strategies used by organisations to achieve their Saudisation objectives. In contrast, the next chapter uses 'pattern-matching' and institutional theory to develop the thesis's framework, and concludes with further explanation of the phenomenon of Saudisation practices.

Chapter Seven: The Institutional Perspective

This chapter aims to extend the understanding of the case studies, and to build on the discussion presented in the previous chapter on the development of Saudisation practices in the Saudi supermarket industry which used the 'explanation building' technique. 'Pattern matching' is used in this chapter to analyse the formation of Saudisation practices and their development from an institutional theory perspective. The analysis is chiefly derived from the theoretical framework of this study, as presented in Section 3.4. The data collected will be used to match and examine the theoretical propositions suggested in page 105 of this thesis.

The first section of this chapter analyses the development of Saudisation practices as a form of institutional change and entrepreneurship. It also analyses the ways in which the legitimacy-seeking tendency in firms influences the adoption of Saudisation practices. The second section examines the institutional environment, including actors and pressures, and how it affects Saudisation practices. The chapter ends by investigating the different factors in the profiles of firms that lead to variations in the Saudisation practices they adopt.

7.1. Saudisation as Institutional Change

As presented in the chapter on the formation and development of Saudisation Practices (Chapter 6), the norms of employment in the supermarket industry have encountered many changes in the past twelve years. The responses of firms have gone through different stages, ranging from deviation to adoption.

This section is concerned with these changes and the process that the supermarket industry has undergone, which are discussed in the light of institutional theory in general, and the area of institutional change and entrepreneurship in particular. It has two main subsections: the first covers the main stages that Saudisation processes have undergone in the light of institutional theory (Greenwood, Hinings et al., 2002). The second discusses the institutional environment through the main actors and the institutional pressures applied by each actor. This subsection employs Scott's (2008) three pillars model and the other aspects of the framework of the thesis to articulate the different forces applied in the environment.

7.1.1. Institutional Change from 1995 to 2007

Several scholars of institutional theory have emphasised that change goes through different stages, each of which has certain characteristics (e.g. Flingstein, 1997; Greenwood et al., 2002). Flingstein (1997) suggests that institutional fields go through various states, including the states of emergence, maturity, stability and crisis. Greenwood et al. (2002) explains that institutional change goes through six stages (see Figure 7.1). This model could be used to understand the overall change in Saudisation practices. This section aims to compare the changes in Saudisation practices through time with Greenwood et al.'s (2002) model of institutional change.
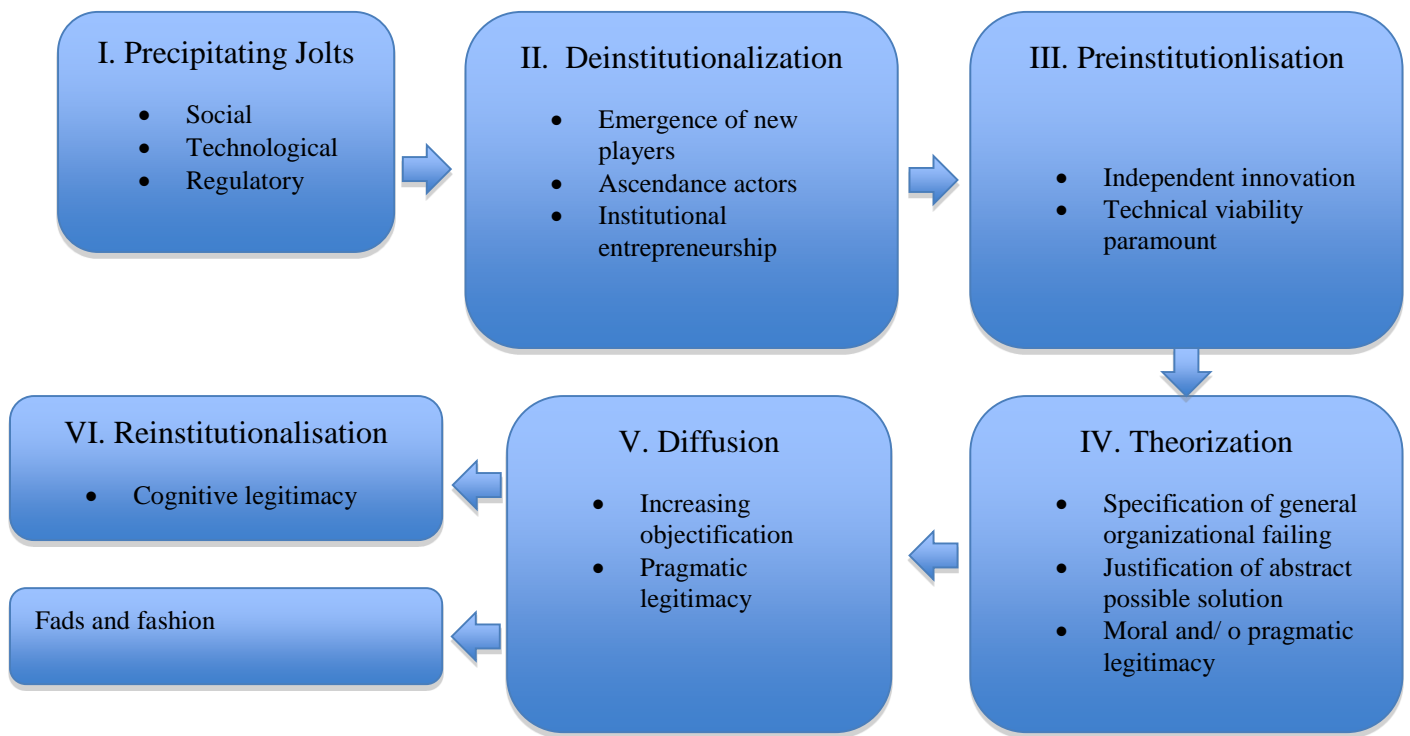
Figure 7.1: Stages of Institutional Change (Source: Greenwood et al., 2002)

According to Greenwood et al.'s model, the first stage in institutional change is the 'precipitating jolt' where the existing institution is shaken up as a result of social, technological or legal change. The 'precipitating jolt' in the case of Saudisation (HR) practices occurred as a result of the drastic drop in oil prices, the oversaturation of labour in the public sector and the accumulation of foreign labour in the private sector. They led to a jolt that forced the Saudi government to intervene in private sector employment policy. The change in private sector employment regulation was a 'precipitating jolt' for private sector firms that separated them drastically and permanently from their pre-Saudisation HR practices.

The second stage of institutional change, according to Greenwood et al. (2002), is 'deinstitutionalisation'. Deinstitutionalisation is characterised by the emergence of new players with deployed resources who change the existing institution. In the case of Saudisation practices, this started with the emergence of the Ministry of Labour, previously the Manpower Council, which had extensive resources with which to change the arena of the private sector labour market. The Ministry deinstitutionalised the core employment norms in a sector that was characterised by the dominance, amounting to more than 85 %, of cheap non-Saudi workers (*Saudi Gazette*, 2010)[48]. The dominance of foreign workers in the sector limited their rights to change employer, complain about maltreatment and so on (Senior HR Officer, Firm 5, 13 September 2010)

Saudi employees in the sector therefore had greater rights of movement and complaint than their non-Saudi counterparts. These simple facts were enough to cause a jolt in the private sector. The situation enjoyed and favoured by the whole private sector, including supermarket chains, was undoubtedly changing. The more expensive new Saudi workers were cutting the already slim profit margins of the supermarket industry[49]. Other implications of the changes in Saudi employment policy were changes in the positions of actors in the institutional field, where the central role of supermarket chains was moving to the Ministry of Labour.

The engagement of new players introduces the third stage of institutional change: the independent innovation by various actors, known as 'preinstitutionalisation'. In the case of Saudisation practices, preinstitutionalisation was initiated when the

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[48] Foreign manpower comprises 87% of the Saudi private sector, according to Ibrahim Al-Kernas, Assistant Secretary for Settlement Affairs at the Council of Saudi Chambers of Commerce and Industry (*Saudi Gazette*, 25 October 2009). Total remittances from Saudi Arabia exceeded US$16.2 billion in 2007 (*Arab News*, 20 August 2008).
[49] According to a paper published by the CDFI Fund, the average profit margin for the supermarket industry in 2010 was 1.9% (CDFI, 2011).

Ministry of Labour[50] became the central actor determining appropriate conduct in the field by introducing the first Saudisation decree, Decree 50[51]. This change brought Saudi nationals to the central position in the institutional field for the first time,. The change in the national employment policy led resourceful supermarket chains to introduce new initiatives and projects to cope with changes in Saudisation requirements. For instance, Firm 5, among others, started to pilot a range of ideas to attract Saudis to their workforce (Senior HR Officer, Firm 5, 13 September 2010). Over time, more technically viable practices were adopted in the industry such as the dynamic compensation and benefits system that reflected the assumed reservation wage level for young Saudis (HR director, Firm 5, 15 May 2007).

The fourth stage in institutional change is 'theorization' of the new institution. According to Strang and Meyer (1993):

"…by theorisation we mean the self-conscious development and specification of abstract categories and the formulation of patterned relationships such as chains of cause and effect. Without general models, cultural categories are less likely to arise and gain force. And without such models, the real diversity of social life is likely to seem as meaningful as are parallelisms." (492)

As Strang and Meyer (1993) emphasise, diffusion occurs more rapidly when a process involves 'global theorizing' and has higher levels of complexity and abstraction. In the case of Saudisation practices, both the Ministry of Labour and other government agencies, and leading supermarket chains were playing an active role in theorising for proper Saudisation in the hope that it would lead to the best outcome. For instance, the Ministry of Labour's theorisation of balanced

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[50] The Council of Ministers Decree no.27, dated (02.01.1425), separated the Ministry of Labour and Social Affairs into two independent Ministries, of Labour and Social Affairs, respectively. This decree also brought the Manpower Council under the control of the new Ministry of Labour.
[51] See page 18 for more details about Decree 50

Saudisation had led to a solution to the problem of unemployment in the country and had also added value to the private sector (Speech by Dr. Ghazi Al-Qusaibi, 2005).

The model offered by the government agencies suggested that employing Saudis, offering them reasonable wages and providing them with the required training and skills would make them more suitable for the private sector labour market. This marketability of Saudis would lead to a resolution of the issue of unemployment. According to this theory, if this path was not taken, Saudis would not benefit private businesses and the problem of unemployment in the country would also not be solved. Furthermore, this general model appeared at the same time as continual changes in regulations andincentives to promote the training of Saudis by the private sector (i.e. those of the HRDF).

Leading supermarket chains also offered their own modified version of the appropriate approach to Saudisation. The Saudisation practices of the five firms suggested that Saudis need to be rewarded differently to non-Saudis, and that Saudis need to be paid more than non-Saudis and to have dynamic reward systems matching the short-termism of young Saudis (and the industry). Moreover, the supermarkets' theoretical model of successful Saudisation included providing Saudis with basic practical training. It will be seen, therefore, that the models of both the government agencies and the supermarket chains assert that wages and training are core aspects of any successful and sustainable private sector Saudisation plan.

According to Greenwood et al. (2002), the theorising stage leads in time to the fifth stage of institutional change: 'diffusion'. At this stage, new practices become adopted through both moral and pragmatic legitimacy. In terms of Saudisation practices, the theoretical models of the government agencies and supermarkets

were therefore transformed into a set of practical practices adopted in the industry. Moral and pragmatic legitimacy were both employed by different actors to transfer the theory of sustainability/success into specific practices. For instance, according to a senior HR officer in Firm 5:

"Through their serious implementation of the Saudisation programmes in national, community and practical contexts, both the government and some large firms initiated provisions such as training for Saudi newcomers, a Saudi salary scale and different incentives programmes."

The Ministry of Labour and other players founded the HRDF, which aims to support structured training in the private sector and to pay Saudis according to a reasonable scale. The HRDF also developed a new human resources manual to suggest 'best practice' for the private sector (http://www.hrdf.org.sa).

The last stage in institutional change, according to Greenwood et al. (2002), is 'reinstitutionalisation'. Reinstitutionalisation occurs when practices are adopted to the extent that they become taken for granted. This is referred to as the 'cognitive legitimacy' stage. In the case under discussion, there is little evidence that the whole institution of Saudisation has reached this level of maturity. Nevertheless, some practices such as training and development have to a large extent been (re)institutionalised in the industry and have become part of the taken-for-granted aspects of the human resources function.

7.1.2. Institutional Entrepreneurship

Viewing Saudisation through the perspective of 'institutional entrepreneurship' is another way of gaining an insight into the diffusion of Saudisation practices. This

section presents all the actors surrounding Saudisation and the actions they have performed to shape Saudisation practices. As a starting point, Hardy and Maguire (2008) state that:

> "Institutional entrepreneurs require actors to dislodge existing practices, introduce new ones, and then ensure that they become widely adopted and taken for granted by other actors in the field." (206)

The role they describe, that of the institutional entrepreneur, was evident in the action taken by the Ministry of Labour (and other government agencies) to disrupt and tear down institutions, which supports the statement of DiMaggio (1988) that:

> "New institutions arise when organised actors with sufficient resources [institutional entrepreneurs] see in them an opportunity to realise interests that they value higher." (14)

The 'sufficient resources' of the Ministry of Labour are both political and financial. This critical position of the Ministry comes from its control over the work permits of foreign workers in the private sector. Its control over this important source of labour gives the Ministry the ability to use the issuing of work permits as a rewards and punishments provision to support the implementation of the national Saudisation policy. Large supermarkets, in contrast, offer many positions requiring minimal training and skills, and therefore have the power to set their practices as examples for other supermarkets and to influence the interventions of the Ministry of Labour. It is important to note, therefore, that when the Ministry of Labour leads this change, it is not the sole institutional entrepreneur. As Greenwood and Suddaby (2006) suggest, the elite organisations in an institutional field play a critical role in offering alternative practices to other

organisations, something which was found to apply very strongly to Firm 5 as it played an active role in inducing the change in the industry towards Saudisation.

Also related to institutional entrepreneurship are the stimuli leading to change. The two stimuli most relevant to the Saudi context are 'uncertainty' (Pfeffer and Salanci, 1978) and 'tension' (Seo and Creed, 2002). Both are evident in the case of Saudisation, where the consistently high unemployment rates among Saudi nationals, and the unbalanced foreign and national labour markets, led to cases of uncertainty for the country's policymakers. The state of the labour market, and unemployment among Saudis in particular, also caused social and political tension, especially with the large amount of foreign labour flowing into the country throughout this period (Speech by Dr. Ghazi Al-Qusaibi, 2005).

This tension provided grounds for the Ministry of Labour to criticise the existing institutional arrangements for employment in the private sector, and inspired a new substitute arrangement in order to avoid further social problems. Several documents from the Ministry of Labour demonstrate that these contradictions and tensions were used to obtain increased involvement from a larger number of Saudi private firms (Speech by Dr. Ghazi Al-Qusaibi, 2005).

7.1.3. Institutional Legitimacy

Alongside the development of Saudisation practices, the whole industry was moving towards an increased number of Saudis in their workforces, in order to gain and maintain legitimacy. The first attempts to gain legitimacy through Saudisation in the industry were the establishment of 'Saudisation units' and the hiring of Saudisation managers', which demonstrated that firms were serious about Saudisation. In a way, Saudisation units therefore became a symbol of a new trend towards the institutionalisation of Saudisation practices within the

industry. As institutional theory suggests (e.g. DiMaggio and Powell, 1983; Greenwood and Hinings, 1996; Scott and Meyer, 1994), in their attempts to increase profitability and productivity, organisations similarly seek legitimacy and survival by adhering to institutionally expected practices and structures.

As a result, organisations exist within competitive and institutional environments. While earlier firms used rational measures to manage their profitability, more recent firms firms have responded – with bounded rationality – to different institutional forces in their environments. As Wood (1999) and Paauwe (2004) suggest, both environments need to be articulated separately to capture the rational and institutional motives of the existing practices and structures in the industry.

Saudisation practices such as training and obtaining HRDF support, for instance, resulted from competitive motives, as firms had the opportunity to recover some of the cost of employing Saudis by accepting government financial support for training Saudis. However, practices such as employing women and targeting new segments were the result of institutional environments. It could therefore be claimed that Saudisation practices resulted from both competitive and institutional motives.

It is also important to note here that this conjectured causation of Saudisation practices might derive from being at a different stage (or in a different form) of legitimacy (i.e. socio-political vs. cognitive legitimacy (Alrich and Fiol, 1994)), where the more institutionalised the practices are, the more cognitively accepted they become. This allows for the highest form of cognitive legitimacy to be achieved, as a "new product, process, or service is taken for granted" (Aldrich and Fiol, 1994:648).

7.2. Institutional Environment: Institutional Pressures and Profile

As institutional theory suggests, institutional isomorphism and the diffusion of practices occur as a consequence of institutional pressure (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 1995). This section therefore presents the institutional environment surrounding Saudisation practices through two main factors: institutional actors and the institutional pressures applied by them. Both facesor are derived from the findings presented above.

Additional archival data and interviews are employed to construct the institutional environment of Saudisation. After presenting the institutional actors in the institutional field, this section describes the effect that these actors have had on the shaping of Saudisation practices. It is important to note that this section aims to deconstruct the formation of Saudisation practices into its individual elements.

According to the literature of institutional theory, institutional pressure is applied by institutional actors and can take three forms: regulative, normative and culture-cognitive (Scott, 2008). These institutional components combine to form the 'institutional profile', which, according to Kostova and Roth (2002), is an issue-specific set of regulative, normative and culture-cognitive forces that exist in a particular context. As a result, the institutional profile leads organisations towards isomorphism, and practices therefore become diffused. This is exactly what was evident in the case of Saudisation practices, where a specific institutional profile was formed at the start of the Saudisation policy and then shaped isomorphic practices in the industry.

The institutional profile of Saudisation includes the Saudisation policy imposed mainly by the state, normative pressures applied by HR managers, and cultural-cognitive aspects related to Saudi Arabia and the nature of Saudis. The

differentiation between the three forms of pressure is present to avoid attention being given entirely to regulative pressure and the important role of implicit pressures applied by secondary actors therefore being overlooked. All the tables presented below (7.1, 7.2, and 7.3) were constructed by thorough data gathering from secondary sources around Saudisation and Saudisation actors.

7.2.1. Regulative Pressure

Three different actors were found to be applying a form of regulative pressure on the institutional field. As Table 7.1 shows, the first active actor applying this pressure was the Ministry of Labour, which is both the advocate of the whole concept of Saudisation and its regulative body. The first regulative pressure applied by them was the *National Saudisation Policy (R1)*, which incorporates Decree 50 of the Council of Ministers, requiring firms with more than twenty employees to achieve a 5 % annual increase in the number of Saudi workers in their firms.

This decree also restricts certain jobs to Saudis, including cashier, security guard, and personnel officer. Over time, this Saudisation policy went through changes and amendments. For instance, the Ministry of Labour in 2002 froze the Saudisation percentage at thirty % for all industries, with some exceptions for specific industries such as construction and operations (Al-Riyadh, 11 September 2002).

The other regulative pressure is the *rewards and penalties system (R2)* used by the Ministry of Labour. The ministry focuses more on issuing penalties to firms which repeatedly defy the Saudisation policy requirements. For instance, the Ministry of Labour suspends the issue of work permits to any firm that does not fulfil its Saudisation requirements until they rectify the situation.

According to Decree no.1838/1 of the Council of Ministers in 2004, the Ministry of Labour suspended all international recruitment for five years for firms found to be practising 'delusional Saudisation'. The Ministry of Labour reported these incidents in the newspapers on many occasions to raise awareness and to remind firms about this policy.

The main reward offered by the Ministry of Labour to firms who adhered to the Saudisation policy was that they were not interfered with. The Ministry also introduced the Prince Nayif Prize for Saudisation, given to the firm in each industry with the best Saudisation strategies. According to the former HR Manager of Firm 1:

> "The prize is one of the methods we use to publicise how hard we've worked to bring Saudis into the workplace. It shows our level of commitment and how sustainable our placement programmes are." (15 June 2007)

Actor	Regulation	Elements
Ministry of Labour	R1. Saudisation policy	Ministerial Decree no. 50[52] concerning the Saudisation percentage Ministerial Decree no. 50 concerning restricted jobs Freezing of the Saudisation percentage and specifying percentages for particular industries
	R2. Rewards and penalties system	Prince Nayif Prize for Saudisation Suspension of work permits Complete operating ban lasting five years
	R3. Saudisation calculation	GOSI Registration Each woman counts as two men Each disabled person counts as three men

[52] See page 18 for more details about Decree 50

	R4. Laws relating to women	Laws empowering women Men forbidden from working in women's clothes outlets Sex-segregation law and other restrictions
	R5. Rules concerning non-nationals	Royal Decree no.34457: working visa required for non-Saudis (sponsorship)
HRDF	R6. Criteria for HRDF/employers agreements	Training required National minimum wage GOSI registration
Religious Establishment	R7. Altering rules and laws	Suspension of Decree no.120, concerning women's clothes shops Inspection by religious police
Note: the information presented in this table was gathered from secondary sources including the official websites of the ministry of labour, HRDF and others		

Table 7.1: Regulative Forces Surrounding Saudisation

Despite the efforts of the Ministry of Labour to reward firms for their Saudisation practices, the Saudisation Manager of Firm 1 criticised the rewards system:

"The main problem with the labour office [in the Ministry of Labour] is that they only impose Saudisation on firms through the stick and never use the carrot. All firms are obliged to achieve a thirty % Saudisation level or they will be penalised. However, we are never rewarded for exceeding the required thirty %." (15 June 2007)

The other regulative inducement applied by the Ministry of Labour is the *Saudisation calculation (R3)*. The general method used by labour offices to

calculate the Saudisation percentage is counting all the Saudis working in the firm who are registered with the General Organisation of Social Insurance (GOSI). GOSI registration requires employee to receive a minimum monthly salary of SAR1200, (equivalent to GBP218). When that minimum salary is achieved, a monthly contribution of 18 % must be paid to GOSI, made up of 9 % from the employer and 9 per cent from the employee. This indirectly forces firms to pay Saudis the minimum wage so that they can count them as part of their Saudisation quota. Several changes were also made to the calculation method to favour underprivileged groups in the Saudi community, including women and the disabled, to encourage their employment. These amendments mean that, in the Saudi headcount, one woman has the same value as two men, and one disabled person as three able-bodied men.

The Ministry of Labour also applied regulative pressure in favour of Saudisation practices in the form of *laws relating to women (R4)*. These laws include both enabling forces and constraining ones. The Ministry of Labour document "Rules Governing Women's Work in the Private Sector' (Mol.gov.sa (visited 29 June 2010)) emphasises both the decrees and resolutions that empower women in the economy, and also the main restrictions on women at work. Decree no.120 of the Council of Ministers, issued on 31 May 2004, announced a set of actions designed to empower women. The Council of Chambers of Commerce was assigned to search for suitable new job opportunities for women in the private sector. The Ministry of Labour and the HRDF were both ordered to give more support to women in the private sector through improved maternity leave and financial subsidies. Only women were allowed to work in women's clothes shops, and the existing male workers had to be replaced in accordance with a pre-planned schedule.

However, the document placed equal emphasis on the legal restrictions imposed on women. For example, Decree no.111/8, dated 4 October 1987, had introduced

a set of conditions restricting women's work. According to this decree, women's work had to be necessary, either for themselves or their community, suitable for the 'nature of women' and located in a fully segregated workplace, while the women had to keep to a modest dress code that respected Islamic values. Other decrees have forbidden women from working in jobs that involve night shifts (Ministry of Labour, 2005).

The indirect regulative pressures applied by the Ministry of Labour include the law on *non-Saudi nationals working in the country (R5)*. This was established mainly by Decree no.34457 concerning work visas for non-Saudis[53]. The main feature of this law is that non-Saudis must have a sponsor, in the form of an employer or a Saudi person, to allow them to work in the country. Sponsors are allowed to control the worker's movement within the country, including his physical movement between cities and regions. According to this law, the sponsor can also forbid the worker from transferring his sponsorship to another employer. The law gives employers full control over non-Saudi employees and restricts the employees from changing their employer. Saudis, in contrast, have more control over their choice of employer, and can move freely. Although this is advantageous to Saudis, it makes them less appealing to employers as long-term employees.

The regulative impact of the HRDF, on the other hand, is concentrated on imposing *funding criteria (R6)* to support certain working terms and conditions for young Saudis. The criteria comprise three conditions: 1) funded Saudis must be immediately registered with the GOSI; 2) firms should pay Saudi employees at least the national minimum wage (NMW); and 3) employers should provide sufficient training to equip Saudis with skills making them more suitable for the market. These criteria force firms to adopt certain practices such as higher entry-level wages, the immediate enrolment of Saudis in the GOSI, and structured training for Saudis.

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[53]Most Saudi Arabian regulations and decrees can be viewed online via www.saudi.gov.sa.

The last regulative pressure applied in the institutional environment of Saudisation is that of the *religious establishment (R7)*. While this actor is not, strictly speaking, a legislator, it has the power to influence and alter some of the regulations issued by the government. The main aspect of Saudisation that concerns the religious establishment is the employment of women. This is exhibited more specifically in its influence on the conditions under which women are employed. According to recent unofficial news reports, the religious establishment used its strength and its close bond with the government to ensure the suspension of Decree no.120 which stipulates that only women should work in women's clothes shops. This demonstrates the power of this actor to both shape the law and stop the implementation of projects designed to empower women. In addition, the religious establishment applies pressure through random inspections of retail outlets by the religious police, to ensure that business owners fully adhere to the regulation of sex segregation. If they find that a religious policy has been violated, immediate action is taken either by closing down the shop concerned or by reporting the incident to the higher authorities.

7.2.2. Normative Institutional Pressure

As Table 7.2 shows, five different actors were found to affect the shape of Saudisation directly or indirectly through normative pressures. The first actor is the leading supermarket chains. Since the inception of Saudisation in the industry, some firms have led the search for HR practices that will anable them to attract, retain and capitalise on young Saudis. Over time, these leading firms have become stronger by offering what could be labelled *'Endorsed Saudisation practices' (N1).* These practices were distinctive by being designed to meet business objectives and to suit the characteristics of Saudis in order to achieve government requirements. As a result, the whole institutional environment influenced these leading firms in their development of each practice. For instance, the form and

structure of each practice such as training, employing women, and mass recruitment were suggested by leading firms to other 'follower' firms who were keen to meet the challenge of Saudisation.

The impact of the HRDF on the normative side is exhibited in two areas: *training systems (N2)* and *HRM standards (N3)*. This actor plays a clear role in filling the gap caused by underdeveloped professional bodies. In terms of training, the actor (HRDF), as well as providing the regulative pressure of forcing firms to train Saudis, introduced an online portal to guide firms through the process of administering training. This normative pressure complements the regulative pressures mentioned earlier by promoting training, rather than simply not employing them, as the proper way of dealing with unskilled Saudis.

Actor	Normative Area	Elements	
Leading supermarkets	N1. Endorsed Saudisation practices	*a)*	Encouraged Saudisation programmes
HRDF	N2. Training systems	*b)*	Training system (material, attendance etc)
		c)	Training as a professional path towards Saudisation
	N3. HRM standards	*a)*	HR diploma
		b)	HRM manual
HR and Industry Associations	N4. Training	*a)*	Events and meetings
	N5. Responsible headhunting	*a)*	Industry-wide meetings
NGO	N6. Approaching new segments of society	*a)*	Orphans
		b)	Disabled
		c)	Women
	N7. New approach to recruiting the required number of Saudis	a)	Mass recruitment events

Note: the information presented in this table was gathered from both primary and secondary sources including interviews, official websites of the ministry of labour, HRDF and others

Table 7.2: Normative Forces Surrounding Saudisation

The HRDF also promotes *HRM standards (N3)* in the private sector, although this has less impact as a form of normative pressure. This pressure is demonstrated by the HR diploma programmes offered to firms with an active funding agreement. The HRDF covers 75% of the cost of the month-long course, which comprises one hundred training hours. This practical course covers issues such as achieving Saudisation and obtaining support from the HRDF and other institutions, (HRDF website (visited 30 June 2010). The HRDF website also offers a comprehensive and detailed HRD manual which deals with issues including HR structure,

standard operating procedures, the management of HR functions, the establishment of HR information systems and HR process reengineering.

Another actor applying normative pressure is the group of interrelated quangos and NGOs operating in the private sector. The main normative pressure applied by this actor is the promotion of new segments of society as potential applicants to the industry. Orphans, women and the disabled were proposed and promoted as appropriate alternatives to the more typical young men. This normative pressure was found to affect the industry at a variety of levels. These organisations also apply pressure on the firms to publicise new ways of recruiting Saudis, such as mass recruitment events.

The last actor found to be applying normative pressure in the field is comprised of the professional bodies for HR and the retail industry. although it has limited influence on the private sector as a whole. What impact it has is directed towards the promotion of training and development as proper actions that should be promoted and implemented by HR departments. This actor applies soft pressure through periodic meetings and events at which HR or retail professionals can meet. Although ASHRM, the main HR association in the country, offers courses, none of the managers interviewed saw them as something they would consider undertaking.

7.2.3. Culture-Cognitive Institutional Pressure

The last form of pressure applied by institutional actors is culture-cognitive. As described by Scott (2008), culture-cognitive pressure has the deepest impact on the institutional field. This is because culture-cognitive routines are usually taken for granted by all actors in the field, only a few of whom will consider decoupling (or deviating) from them. While it is hard to definitively trace culture-cognitive

pressures in the environment, all actors were found to be applying some form of pressure related to this institutional pressure (see Table 7.3). The Ministry of Labour, for instance, was found to be using its media and institutional strength to build culture-cognitive logic in Saudi Arabia in general and the private sector in particular. This includes the belief that 'unemployment is a serious problem in the Saudi labour market and Saudisation is the only solution'. This can be seen in 'Goals and Priorities'[54] by the Minister of Labour, Dr. Ghazi Al-Qusaibi, which states that:

> "This new ministry will deal with unemployment matters with complete persistence and determination through a systematic approach until the whole problem is rectified. … The problem of unemployment among Saudis is a great challenge that should be dealt with through tough and painful decisions, rather than pleasurable pain relief and symbolic actions." (*Al-Jazeera* newspaper, 28 February 2009, p.5)

The table below presents a summary of the five cultural-cognitive forces surrounding Saudisation. As it shows, most of these forces have become embedded in Saudi culture. The table suggests the possible source of each of these taken-for-granted concepts.

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[54] 'Goals and Priorities' was the first document issued by the Ministry of Labour after it was separated from the former Ministry of Labour and Social Affairs.

Actor	Culture-Cognitive Area
Ministry of Labour	CC1. Unemployment is a serious problem, and Saudisation is the solution. CC2. Saudisation is a national obligation (not a business case). CC3. Training is the way forward for individuals and companies.
HRDF	CC4. Training Saudis is the way forward for companies.
Religious Establishment	CC5. Classification based on views about employing women and sex segregation.
Firms	CC6. Saudis do not accept low-level jobs. CC7. A compensation and benefits system is the only effective way to attract Saudis. CC8. Saudis have fewer skills, and less experience and discipline.
NGOs	CC9. Recruiting disadvantaged individuals ensures their welfare and is a virtue.
Note: the information presented in this table was gathered from secondary sources including newspapers, and social electronic forums.	

Table 7.3: Culture-Cognitive Forces Surrounding Saudisation

The other idea introduced into the culture-cognitive sphere by the Ministry of Labour is that: 'Saudisation is a national duty that needs to be fulfilled'. In the document mentioned above, the Minister of Labour emphasised that:

> "The ministry will regard the private sector as a full partner in our attempts (to tackle unemployment), never as a hostile partner that needs to be coerced by regulations, but as a friend of the Saudi labour force. … And I know without any hesitation that Saudi investors are even more keen than the government to reduce unemployment among their fellow Saudis. I refuse also to believe that any capital from Saudi investors will be sent abroad to avoid the consequences of Saudisation, because I know, from previous experience, that Saudi businessmen will never shirk their national duty." (*Al-Jazeera* newspaper, 28 February 2009, p.11)

In another part of the same document, the Minister also called the acceptance of Saudisation as a way of reducing unemployment: "a high national priority that should take precedence over any other personal calculations, even those that seem to oppose it" (*Al-Jazeera* newspaper, 28 February 2009, p.5). In a speech to the Association of Saudi Economists, he further stated that:

> "Making an individual calculation is absolutely legitimate, but not when it goes against what is best for the whole nation" (*Al-Jazeera* newspaper, 28 February 2009, p.12)

Further culture-cognitive pressure relates to the importance of training. The Ministry of Labour and the HRDF work together to stress the value added by training. The main argument in favour of training is summarised by the Minister of Labour in 'Goals and Priorities':

> "The success of Saudisation is fundamentally and organically connected with successful training programmes that provide the labour market with people of the right calibre and the right skills for the job." (*Al-Jazeera* newspaper, 28 February 2009, p.6)

The HRDF's impact on training also derives from the fact that all its funds are linked to training. The continual emphasis on training in all its communications with firms and the media has moved the idea of training to the cognitive side of the institutional environment. Firms are starting to view the whole training process as something they can no longer question, a provision that is embedded in firms, and exceeds the normative standpoint.

The religious establishment also has culture-cognitive views about women's issues. This actor disseminates different classifications for attitudes and actions taken by firms towards women and their role in society, together with the need they perceive for sex segregation. This classification is valued in various ways in society as a whole. The religious police and new media channels help to enforce and strengthen these classifications and pressures. Nevertheless, religious establishments differ among themselves in relation to these issues. For instance, a Saudi cleric recently stated that: "sex integration [or mixing] is the gateway to ethical corruption and is only promoted by traitors and hypocrites" (*Student Forum*, 15 August 2011). Members of the Council of Senior Scholars, the highest official religious ruling authority in the country, have similarly conservative views about employing women. It can be observed, however, that the conceptual pressures imposed by the religious establishment are gradually fading; as the Minister of Labour explained, when asked about the suspension of Decree no.120, concerning the employment of women in certain jobs:

"Employing women in women's clothes shops is gradually happening, but slowly, for reasons everyone knows. Nevertheless, we are trying our best to do this as fast as possible given the conditions around us." (Al-Riyadh, 2 February 2008)

It is important to note that the cultural-cognitive side of Saudi society shares some views about women in general. These views are generally conservative, and form a self-perpetuating mechanism for gender hierarchy and sex segregation (Doumato, 1999). As Doumato (1999) emphasises, this conservatism results from the position of religion in public discourse and lifestyle, formal education and the development process of the country. The segregation of many activities, including education and recreation, creates a bifurcated society that rejects any change in the existing gender balance. The ruralisation of Saudi cities also brought many tribal elements to the major cities that indirectly affected the extent to which women

were involved in the business life of the rapidly growing country (Doumato, 1999).

Another area of culture-cognitive logic comes from the supermarket industry as a whole. This logic becomes more strongly embedded over time through the experiences and struggles of firms. The first idea in this logic is that Saudi nationals do not accept low level jobs such as cleaners and merchandisers. This has led the whole industry to avoid offering some jobs to Saudis, as the Saudisation Manager in Firm 4 emphasised:

> "For a young Saudi, accepting such a job [e.g. cleaner] implies that he belongs to a certain social class, which means that he will be criticised by his peers and even that no-one will accept him as a husband for their daughter." (20 June 2007)

The other culture-cognitive idea observed in the industry is that Saudis are only ever attracted by compensation and benefits. The experience of HR managers and the existing literature were also both found to be promoting this view. It is also evident that firms take this idea in particular for granted. Another institutional idea promoted by firms is that Saudis lack skills, experience and discipline at work. However, this is embraced differently by firms according to their varying experiences.

The last culture-cognitive pressure found in the field is applied by some NGOs as an extension of their normative pressure, and relates to employing disadvantaged segments of society such as orphans and the disabled. These actions are presented as virtuous and as being good deeds, and are promoted to supermarket chains as social responsibility initiatives. Despite the effort invested, however, it is not clear that this pressure is shaping practice in the environment.

Institutional actors apply these three forms of pressure, and as a consequence, Saudisation practices have developed with a degree of uniformity. As Chapter Six has demonstrated, such practices have been adopted by different firms in the industry. Nevertheless, there as some variation in the form in which these practices were adopted. The next section investigates the possible causes of this variation.

7.3. Isomorphism and Variation Analysis

Despite the institutional profile and the efforts of different institutional actors to diffuse Saudisation practices within the industry, organisations generally choose one of two main paths: conformation to, or differentiation from, institutional norms (Deephouse, 1999). This choice leads then to various degrees of similarity and variation among firms in the industry (Boxall and Purcell, 2008).

This is one of the core sections of this thesis, which examines the process of isomorphism and decoupling (or variation) in Saudisation practices. This process has two parts: 1) isomorphism of Saudisation practices; and 2) variation within Saudisation practices. The former results from institutional pressures. Section 7.2 will trace the isomorphism of Saudisation through an investigation of the relevant pressures. Variation in Saudisation practices results from decoupling, as a consequence of demographic variation in firms. Patterns and variation within firms will therefore be investigated .The main aim of these two investigations is to examine the propositions of the thesis (see page 105).

Table 7.4 shows the Saudisation practices, the associated institutional pressures, the status of each practice in the industry, and the propositions to be examined.

The table was construed in a way that highlights the conditions/ Saudisation practices used by the researcher to examine thesis propositions. As the table shows, the nature of related institutional pressures differs from one practice to another. However, some themes are highlighted in the table. Firstly, some Saudisation practices are surrounded by extensive institutional pressures that point the practices in a particular direction: for instance, compensation and benefits, training and mass recruitment. These practices are surrounded by regulative, normative and cultural pressures which persuade the industry to adopt them. More precisely, institutional pressures have pushed firms towards paying higher salaries, retaining Saudis through attractive benefits, providing training and using mass recruitment events to obtain the required number of Saudis. The findings show that these practices are commonly adopted in the industry, and they are used to examine the first proposition of this thesis.

The second theme shown in Table 7.4 is the practices that were surrounded by limited institutional pressures. A small number of Saudisation practices come under this heading, such as obtaining HRDF support, employing part-timers, subcontracting jobs and offering career options. Some practices, in particular obtaining HRDF support and subcontracting jobs, will be seen to have a clear business case for their adoption in the industry. The former has a strong financial motivation, while the latter reduces either the size of the firm or the number of employees and therefore reduces the required number of Saudis. However, other practices in this category have limited institutional pressures and a less compelling business case, and so are not diffused in the industry. These practices will be used to examine Proposition 2.

The last theme shown in Table 7.4 is Saudisation practices which are surrounded by contradictory institutional pressures. These conflicting forces give firm the ability to choose whether or not to adopt a practice. The case that represents this theme is the employment of women, where institutional pressures both support the

practice and hinder its growth. This practice will be used to examine Proposition 3, which relates to contradictory institutional pressures.

Practice	Related Institutional Pressures	Institutional Pressures and Status of Practice	Related Hypothesis
Compensation and Benefits	National minimum wage. Saudis do not accept low level jobs. Saudisation as an national obligation. A compensation and benefits system is the only effective way of attracting Saudis.	Pressure is pushing the industry to pay high salaries to Saudis and to deal with their high turnover. Compensation and benefits are generally employed in the industry with variations in strategies.	**P1.** Extensive institutional pressure leads to similar Saudisation HR practices in the industry.
Training	Training required by HRDF. Leading supermarkets encouraging Saudisation programmes. Training presented as a professional way to achieve Saudisation. Promotion of training by professional associations. Saudis have fewer skills and less experience and discipline.	Pressure encourages the industry to employ training as a strategic investment in Saudis. Training generally employed in the industry with variations in the setting of training in firms (in-house vs. outsourced).	
Obtaining HRDF support	Providing financial support.	Support for the practice comes not from but rather from the strong business case that firms can earn financial support while fulfilling their Saudisation requirement. Obtaining HRDF support is a generally adopted practice because of its clear added value to business.	**P2a.** Limited institutional pressure with a good business case leads to similar Saudisation practices in the industry.

Employment of Women	One woman has the same value as two men in the Saudisation calculation. Laws empowering women. Men forbidden from working in women's clothes shops. Sex-segregation law and other restrictions. Suspension of Decree no.120[55], concerning women's clothes shops. Inspections by religious police. Social and political classifications based on views about the employment of women, and sex segregation.	The institutional pressures surrounding the employment of women are contradictory. While some actors in the institutional field, such as the Ministry of Labour advocate the practice, other actors, such as the religious establishment, object to it in most of its forms. Employing women is still a reversely adopted practice with clear variation in the industry.	**P3.** Contradictory institutional pressures lead to decoupling in Saudisation practices in the industry.
Subcontracting	Saudis do not accept low-level jobs.	Limited pressure supports the practice, but there is a possible business case for firms to limit their Saudisation requirement by decreasing the number of non-Saudis they employ. The practice is adopted with some variations in the nature of subcontracted jobs.	**P2b.** Limited institutional pressure with a poor business case leads to decoupling in Saudisation practices in the industry.
Employing Part-timers	Saudis do not accept low-level jobs.	Limited pressure supports the practice, and the business case is also limited. The ractice is only adopted in a minor way by some firms.	**P2b.** Limited institutional pressure with a poor business case leads to decoupling in Saudisation practices in the industry.

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[55] See page 252 for more details about Decree 120

Targeting of new labour segments	A disabled person has the same value as three men in the Saudisation calculation. NGOs related to orphans, the disabled and the empowerment of women have established links with the private sector. Recruiting the disadvantaged ensures their welfare and is seen as virtuous	Limited pressure supports the practice, and there is a reaosnable business case if firms can employ Saudis they can retain. The practice is not widely adopted, although some firms have made unstructured attempts to use it..	**P2b.** Limited institutional pressure with a poor business case leads to decoupling in Saudisation practices in the industry.
Career Choice and Development	Saudis do not accept low-level jobs.	Limited pressure supports the practice, with a reasonable business case, as the working environment can be improved through a wider choice of career options. The practice has not been adopted in the industry.	**P2b.** Limited institutional pressure with a poor business case leads to decoupling in Saudisation practices in the industry.
Mass recruitment	Decree no.50, concerning Saudisation. Decree no.50 concerning restricted jobs. NGOs lead mass recruitment events as part of CSR programmes.	The institutional pressures surrounding mass recruitment support the adoption of the practice but are limited and indirect. Some actors encourage the practice by offering logistical support to firms to recruit Saudis. Mass recruitment is widely adopted in the industry.	**P2a.** Limited institutional pressure with a good business case leads to similar Saudisation practices in the industry.
Note: The table was construed to highlight the conditions and Saudisation practices used by the researcher to examine thesis propositions			

Table 7.4: Saudisation Practice and Related Propositions

The following section examines the first three propositions by applying pattern-matching analysis. Section 7.3.1 examines propositions related to the isomorphism of Saudisation practices. Section 7.3.2 presents propositions related to decoupling from Saudisation practices. Finally, Section 7.3.3 examines propositions related to

the demography and management of firms, and determines the positions of those firms in leading and developing Saudisation practices.

7.3.1. Isomorphism of Saudisation Practices

This section aims to examine Proposition 1 and Proposition 2a, which state that extensive institutional pressure, or limited pressure with a high business case, lead to similar Saudisation HR practices in the industry. To examine this, the research examines institutional pressures which affect each Saudisation practice that shows isomorphism, or common practice within the industry.

The first practice displaying isomorphism is that of compensation and benefits. This practice is surrounded by extensive institutional pressures that support the payment of high salaries to Saudis, such as the national minimum wage for Saudis enforced by the Ministry of Labour. The practice is also supported by normative and cultural pressures, in which Saudis are thought to refuse low-level and low-paid jobs, and in which the Saudisation percentage is seen as an obligation, so that the industry has to attract unskilled Saudis with higher wages than are offered to non-Saudis. These forces have all led to isomorphism in the practice of compensation and benefits. This conclusion is aligned with Proposition 1 of this study.

The second practice that shows isomorphism is training. This practice was also surrounded by extensive institutional pressures that support isomorphism. This pressure came in the form of an obligation to provide training for Saudis in order to obtain funding from the HRDF. Following the promotion of training as the right way of embracing Saudisation, leading supermarkets adopted the practice by establishing training academies. Furthermore, the business case also supported the practice, since most young Saudis who join the industry are unskilled. These

extensive pressures all led to isomorphism of the practice. This is also aligned with Proposition 1.

Another practice commonly adopted in the industry was the receipt of HRDF funds. While this practice has had limited influence from institutional pressures, it is supported by a strong business case, based on the funding that HRDF offers to private companies, subsidising 50% of the salary of a Saudi worker for the first two years of their employment. This encourages firms to adopt the practice without the need for any extensive institutional pressure. This practice comes under Proposition 2a, and shows that its premise is valid. The other practice connected to Proposition 2a is mass recruitment, in which limited institutional pressure combines with a good business case to attract the required number of Saudis to supermarket chains. The business viability of the practice encourages large firms to embrace it, and this leads to greater adoption in the industry. This again supports Proposition 2a.

The four cases of Saudisation practices presented in this section have been used to examine Propositions 1 and 2a. This section showed that they validate the two propositions and support the argument that extensive institutional pressures surrounding a practice increase the tendency for it to be adopted by the industry. Even in cases of limited institutional pressure surrounding a practice, a strong business case would make it very likely to be adopted. The next section will examine cases of Saudisation practices which are less likely to be adopted by the industry.

7.3.2. Disagreement with Saudisation Practices

This section aims to examine Propositions 2b and 3, which state that limited institutional pressure, without a strong business case, and contradictory pressure

leads to disagreement with Saudisation HR practices within the industry. To investigate this, the research examined cases where institutional pressures fitted the criteria of Propositions 2b and 3.

While the overall idea of Saudisation is imposed on firms through strict regulation, there are limited institutional pressures which enforce one practice instead of another. Some practices were found to be surrounded by limited institutional pressures and a weak business rationale. Four specific practices were less adopted in the industry and had these two factors in common: subcontracting jobs, employing part-timers, targeting new segments of the labour market and giving career choices to Saudis.

The first practice is the subcontracting of some jobs usually held by non-Saudis to third parties. The rationale for the practice is that it reduces the number of non-Saudis in each firm, meaning that fewer Saudis need to be hired. But this added value comes with a loss of quality control for a firm over its employees. Where the employment of part-timers is concerned, the supportive regulations are limited, while the business justification for replacing full-timers with part-timers is not completely attractive to the industry. Some opposing views have suggested that the presence of part-timers makes it more complex to manage young Saudis who are already known for absenteeism. There is also disagreement with the practice of targeting new segments of the market. When the Ministry of Labour encouraged the recruitment of the disabled by making one disabled person worth three able-bodied men, the pressure this produced and the added value for the industry were both rather limited.

Nevertheless, firms are still trying to utilise segments in the market such as Saudis in deprived areas, in order to provide supermarkets with Saudi workers they can retain. The practice of giving Saudis career choices within a firm was

barely supported by institutional pressure and had only a reasonable amount of business logic, which means that the practice has not been fully adopted by all firms. After examining these four practices, it could be argued that practices surrounded with limited institutional pressures and a weak business rationale have been disagreed with by the industry. This conclusion matches and validates Proposition 2b of this thesis.

One of the most controversial practices in the industry is the employment of women, which is extensively surrounded by institutional pressures. However, these pressures are not working in a single direction, but contradict one another. While laws exist which empower women, there is also a powerful sex-segregation law. When the Ministry of Labour issued a decree encouraging employers to employ women in women's clothing retailers, pressure from religious groups succeeded in getting the decree suspended. Despite the Ministry's support for the integration of women in the labour market, raids by the religious police continued to take place regularly, enforcing workplace segregation.

In addition to these contradictory pressures, Saudis continued culturally to name and shame those who tried to integrate women into male-dominated industries. As Proposition 3 suggests, practices surrounded by controversial institutional pressures display disagreement about the adoption of the practice within the industry. Examining the practice of employing women shows clear disagreement within the industry, as does the common practice of not employing women in firms. Divergence is hence seen at both theoretical and practical levels, a conclusion which is aligned with Proposition 3.

This section has examined Propositions 2b and 3. It has showed that limited institutional pressure with a weak business case and contradictory institutional pressures both lead to low levels of adoption of practices within the industry. The

next section will examine the demographical determinants of an organisation's ability to decouple from practices.

7.3.3. Leadership of Firms as Saudisation Practice

One of the main purposes of this thesis is to suggest some demographic conditions for one firm's tendency to lead others in developing practices common to their industry. According to our theoretical framework, the profile of the firm and the human factor both affect a firm's position in the industry, and whether it is in the lead/develop position, the acquiesce position or the defy/manipulate position. This section examines three propositions which suggest possible demographic determinants of the lead/develop position: a firm's maturity (including its age, size or geographical presence), the sophistication of its upper echelons (such as education, tenure or experience), the decentralisation of its decision-making and the proportion of Saudis among its managers.

The question here is: what makes some firms act differently to others when reacting to similar institutional pressures? Institutional theory offers different perspectives of organisational responses to institutional pressures. According to Oliver (1991), and Greenwood and Hinings (1996), while institutional pressures lead firms to act in similar ways, the internal dynamics of firms make them act in different ways. Moreover, Whitley (2000) suggests that ownership setting affects an organisation's choice to conform or diverge from industry norms.

DiMaggio and Powell (1983), and Paauwe and Bosiel (2003) both argue that institutional demand and expectations affect the leeway of organisations. Paauwe (1991) also suggested a wider range of factors that affect this, including: labour-capital ratio, ownership, financial health, market condition and structure, and labour market structure. Boon et al. (2009) propose that organisations aim to find

a balance between their competitive and institutional positions in order to reach an 'institutional fit', based on the leeway of organisations, strategic reasons and human agency judgements.

All these leeway factors together lead to different forms of response. For instance, according to the literature on institutional theory, organisations either resist actively, stay passive or become neutral towards institutional pressure (Oliver, 1991). According to another classification, organisations are conformist, deviant, or innovative (Boon et al., 2008). Organisations that innovate follow one of three paths: initiating, leading or developing HR practices (Paauwe, 2004).

When applying the same logic to Saudi supermarket chains being studied, we notice that they favour different approaches towards Saudisation practices. Firm 5 and Firm 4 have tended to be more innovative and to develop new systems to deal with Saudisation. Firm 2, however, is a more passive or neutral player in the institutional field. This allows the firms being studied to be categorised using the classification suggested by Mirvis (1997); this would label Firm 4 and Firm 5 as leaders, Firm 1 and Firm 3 as followers and Firm 2 as a laggard. However, this general classification does not imply, for example, that Firm 2 is a laggard in its overall business performance, but merely in its progress towards Saudisation.

The remainder of this section examines Propositions 4, 5 and 6, as they relate to the demographics of firms. For each proposition, the researcher looks at firms that exhibit a particular demographic profile and investigates whether they are leading and developing Saudisation practices in the industry. Proposition 4 suggests that firms which are mature in terms of age, size of operation and/or broad geographical presence have a tendency to lead other firms in the development of practice. Proposition 5 suggests that firms with a high percentage of Saudis in senior management and decentralised decision-making (i.e. HR autonomy and low

involvement of owners) lead other firms in the industry in the development of Saudisation practices. An examination of the company profiles presented in Chapter 5 shows that Firm 5 exhibits these criteria, so it needs to be established whether the firm is a leader in terms of Saudisation practices. To answer this question, the researcher grouped Saudisation practices into three categories of adoption: fully adopted, less adopted and not adopted. The following section scrutinises the role of Firm 5 in the development of each category.

The first category is fully adopted practices, among which is a compensation and benefits system. While all the firms in the study adopted the practice, examining the case studies more closely shows that Firm 5 led the industry in many changes to it using new initiatives. For instance, it introduced a 'fast track' programme to secure university graduates through competitive compensation and benefits. Firm 5 was also among the firms that opted out of the industry salary war, lobbying large supermarket chains to organise pay systems.

The other practice in the 'adopted' category is training. This was adopted in all five firms in order to provide Saudi employees with the required level of skills. However, it was pioneered by Firm 4, Firm 5 and Firm 2, which all developed in-house training (including a training academy in Firm 5), while other firms used external training programmes. This development could be the result of the large size of these firms, but might also reflect their strategic perspective on the practice as a long-term investment[56]. Firm 5 also championed the practice of obtaining HRDF funding, and in fact was one of the first companies in the country to sign a funding agreement with HRDF. Firm 5 was also a pioneer of mass recruitment, and participated in the first mass recruitment event organised by the Chambers of Commerce of Riyadh and Jeddah. Once again, the size of the organisation and its high demand for Saudis played a pivotal role in its participation in these practices.

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[56] Firm 5 also led a national training project in 2010 to establish the Saudi Retail Academy.

Nevertheless, smaller firms followed their lead and started using the same recruitment practice ,despite their relatively limited need for Saudis.

Another category of Saudisation practices is those that have been less adopted by the industry. Although they are not universally adopted, individual firms are often still able to use them to improve the management of Saudisation in their firms. An examination of Firm 5's efforts under these practices further reflects the company's leadership in the development of Saudisation practices. For instance, looking at the employment of part-timers shows that, while Firm 5 is not the only firm experimenting with this practice, it led several initiatives to introduce part-time university students as replacements for uncommitted high-school students. Another less adopted practice is subcontracting. There is no evidence to suggest that Firm 5 took a leadership role in the dissemination of this practice. The same weak influence was seen in Firm 5 in terms of targeting new segments of the market. However, Firm 5's promotion to Saudis of career choices other than cashiers and security guard was much stronger. While this is limited, however, it is still a positive step towards a practice that is underdeveloped in the industry as a whole.

The only practice that is considered as not being adopted is the employment of women. There is a wide range of views and actions about this practice, as discussed earlier (see Section 5.2). Nevertheless, the practice is relatively encouraged by Firm 3 and Firm 5 through the hiring of female security guards and as shop assistants in women's clothing shops or clothing departments. This leading position of the two firms is based on their maturity and their origin in more liberal Saudi cities. This location makes them more flexible towards the employment of women in comparison to firms operating in other cities, such as Riyadh.

The last subsection examines the impact of the upper echelon demographic on the position of a firm concerning Saudisation practices. This relationship is summarised by Proposition 6 that suggests that firms with a high education level, younger employees and/or shorter experience in their upper echelons are likely to lead the development of Saudisation practices. By investigating the upper echelons of the five firms, it was established that no single firm matches all the criteria of the proposition. Firm 4 had the youngest upper echelon, Firm 5 the most educated, and Firm 1 was the least experienced. Therefore, none of the cases studied support this proposition.

In summary, Firm5 was mainly in a leading position in developing Saudisation practices in the industry. This is aligned with Propositions 4 and 5, which suggests that mature firms with a high percentage of Saudis in senior management and decentralised decision-making are more likely to lead the development of Saudisation practices.

Chapter Eight: Conclusion

In this final chapter, we revisit the research questions concerning Saudisation practices and the approaches used to answer those research questions (see page 23). The chapter also summarises the conclusions and limitations of the study and makes recommendations for further research.

8.1. Restating the Research Questions

This study has focused on studying Saudisation practices in the Saudi supermarket industry by investigating the development of nine practices in five supermarket chains. The main aim of this research was to trace the changes in these practices over time (2003-2007) and the factors affecting the development and adoption of practices. It also aimed to present Saudisation practices primarily through the methods used by supermarket chains to achieve the national Saudisation requirements. The thesis was based on five research questions:

1. *Which Saudisation practices are used in the supermarket industry?*

2. *How have these Saudisation practices developed over time?*

3. *Which institutional actors and/or pressures affect Saudisation practices in the industry?*

4. *Which variations in Saudisation practices have been adopted by different supermarket chains?*

5. *Which organisational factors are found in supermarket chains that affect the adoption of Saudisation practices?*

To answer these questions, an empirical investigation was carried out using a multiple case-study approach (Eisenhardt, 1991; Yin, 2003; Anderson, 2004). The study was based on maximum variation sampling and investigated five supermarket chains operating in Saudi Arabia between 2003 and 2007. The researcher employed the mixed-methods approach (Mills, Durepos & Wiebe, 2010) in which both quantitative and qualitative methods were used to gather data and to analyse the findings. The data was gathered through primary sources, consisting of self-administered surveys and structured interviews, in addition to secondary sources, comprising the national census and media reports about the industry.

The analysis of this wide range of data consisted of two main stages: explanation building and pattern matching (Yin 2009). Both analytical approaches were used to answer the research questions. Firstly, explanation building offered a historical narrative of the development of Saudisation and Saudisation practices from 1995 to 2007. As an extension of the narrative, the main actors in the institutional field were traced, together with the evolution of their relationship. Explanation building also presented the root causes of existing Saudisation practices, using seven themes, and helped to answer the first two research questions of this study.

Pattern-matching analysis was employed alongside the analytical models and concepts of institutional theory to gain a further understanding of Saudisation practices. Several models were applied (DiMaggio and Powell 1983; Oliver, 1991; Greenwood et al, 2002; Paauwe, 2004; Hardy and Maguire, 2008; and Scott 2008) in order to understand Saudisation practices in the light of recent HRM theory. The aim of this analytical approach was to answer the last three research questions. To achieve this systematically, six propositions were drafted in page 105. The following section draws some conclusions based on the analysis and discussion of this study.

8.2. Concluding Remarks

This section summarises the major conclusions that can be drawn from this study. As suggested by its title, 'The Development of Saudisation Practices in the Saudi Supermarket Industry: An Institutional Perspective', this study has focused on three main themes: *the development of Saudisation practices*, *the adoption of Saudisation practices,* and *Saudisation practices as an institutional field*. The section presents conclusions under those three headings. The themes are then brought together as the contributions of the thesis to research.

8.2.1. The Development of Saudisation Practices

One of the three themes discussed in the thesis is *the development of Saudisation practices*, which refers to the concepts of interaction, change and evolution. This theme contradicts the idea of best practice and the universality of practice (Paauwe, 2004). The process of practice development results from interactions in the organisational field until isomorphism is reached (DiMaggio and Powell, 1983). Greenwood et al. (2002), on the other hand, suggest that isomorphic stability is a misleading concept, and that institutional change should be considered instead of isomorphism.

In this thesis, it was observed that most Saudisation practices were introduced to the industry through a process of development. They were all practices related to changes in regulations, such as Decree no.50[57]. Firms did not all respond in the same way, nor all at the same time. Their response changed gradually from denial to a more reactive approach, and finally to adoption of the practices. These responses emphasised development within firms, and the response of the industry

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[57] See page 18 for more details about Decree 50

to changes in regulation and pressures. This development of the response of firms to the new Saudisation policy was seen to coincide with developments in the understanding of institutional actors in the organisational field. This meant that the private sector became more aware of how to attract Saudis, while, conversely, Saudis found new ways to compete in the private sector. This developed the approach of each actor: the Ministry of Labour, for instance, moved from a passive to an active role in Saudisation, while Saudis, as an actor, changed from simply being unemployed and gained bargaining power.

Another observed of this study was that the objective of firms changed from first simply *attracting Saudis* to fulfil the minimal requirements of the Ministry of Labour, to the more active aim of *retaining Saudis* for longer periods of time, and finally matured to *capitalising on Saudis*, a development that could be observed in large and small firms alike. This change impelled companies to start their attempts to achieve the Saudisation objectives. The study observed seven different methods used by firms:

1. Competing for Saudi candidates
2. Constructing a recruiting process for Saudis
3. Avoiding and/or limiting the impact of Saudisation
4. Dynamic rewards systems
5. Employee development
6. Controlling the turnover of Saudis
7. Publicising Saudisation programmes

The thesis traces the ways in which many of these attempts began as normal reactions to local legal requirements for Saudisation, and then gained and/or lost shape over time until they were either adopted or discarded. To summarise the main developments, this research argues that the private sector began by

competing over Saudis, then realised, through a process of trial and error, that *compensation and benefits* were the sole factor that could attract Saudis away from the public sector. The practice of offering compensation and benefits was developed further in order to deal with the high turnover rates among young Saudis. The high demand for Saudis led firms to *construct systematic recruiting processes* which developed into *mass recruitment, targeting of new segments* and *employing women*, among others. The other main method was *limiting the impact of Saudisation on business*. To achieve this, a few practices emerged, including *subcontracting* jobs usually taken by non-Saudis.

The development of Saudisation practices is the first theme covered in this chapter and it answers the first two research questions. The next section discusses *Saudisation practices employed in the supermarket industry* and *how these practices developed over time*.

8.2.2. Saudisation Practices

The second theme investigated was *Saudisation practices.* The concept of 'Saudisation practices' was invented for this thesis, in order to highlight the practices which exist in organisations solely as a result of the Saudisation policy and its implications. Most of these practices were found to be HR-related, but they do not strictly follow conventional HR standards. Nine Saudisation practices were tracked in the Saudi supermarket industry between 2003 and 2007. This section highlights the main findings in that area.

The first and most adopted practice is the use of *compensation and benefits* to attract and retain Saudis. The practice is supported by the common belief that offering money is the most effective way of achieving Saudisation. As the competition for entry-level Saudis escalated, the use of financial rewards

increased in what the industry described as a 'pay war'. Entry-level jobs for Saudis in the industry increased by 75 %. Firms also used different benefits schemes to retain young Saudis. These included personal loans, marriage-support loans and discounts.

Another industry practice tracked in this thesis was offering *training* to capitalise on Saudis. This practice was associated with the practice of *getting HRDF support*. The two practices are related because training is one of the prerequisites for receiving financial support from the HRDF. All the firms in the case study were receiving funding from the HRDF, and they were therefore all delivering training to Saudi employees. Training took different formats (such as in-house training and outsourced training) and varied in lengths (ranging from one week to a whole month) depending on a firm's business needs. Training budgets increased greatly in firms with the justification of getting HRDF support. As the case studies showed, the HRDF frequently covered 75 % of training costs and 50 % of the salaries of Saudis for the first two years of their employment. This meant that large firms were estimated to be receiving around SAR7 million in annual HRDF grants.

Another Saudisation practice tracked was *the employment of women.* Despite the fact that women represent the majority of supermarket customers (c.f. Baret et al., 2000), employing them in the industry is only at an embryonic stage. The industry is still debating the morality of the practice, together with its practicality and added value. Firms are divided about employing women, especially in the Riyadh region, which is the most conservative part of the country. The only female personnel increasing in numbers in supermarkets are security guards[58]. At the end of 2007, the representation of women in the industry was lower than 1 %.

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[58] As a recent development in the employment of women in supermarket chains, in 2012 Firm 5 started hiring women as cashiers. This faced strong resistance at first but gradually became more accepted by society.

Another common practice in supermarket chains internationally (Tilly, 2008) is *the employment of part-timers*, but this is still uncommon in Saudi chains. As a recently emergent practice, employing part-timers was considered either to be a way of overcoming employee turnover problems or a counterproductive practice that complicates the management of Saudis. The practice was piloted by a few firms and taken up on a small scale by other firms.

Since the start of Saudisation, firms had tried to attract enough Saudis to meet the minimal legal requirements of the policy, as a way of compensating for the high turnover typical of Saudis. *Mass recruitment* was found to be the most cost-effective way of achieving these recruitment targets. This practice started with Firm 5 and then spread to the other firms. By the end of 2007, all the firms in this study had participated in mass recruitment events organised by the Chambers of Commerce.

Targeting new segments of the labour market was another practice observed in the supermarket industry. It resulted from the firms' search for young Saudis who could be more easily retained. This search took place in the more underprivileged and disadvantaged segments of society. The practice was accepted by most firms in the industry, especially those with wide geographical presence. The new segments included the disabled, as well as young people from deprived areas including Jazan and Qatif. Firms also *subcontracted jobs* to reduce the number of non-Saudis registered with the labour offices. The practice involved outsourcing low-paid jobs, such as cleaner and shelf stacker, to operations companies. This practice affected the quality of services provided by outsourced workers, but reduced the number of non-Saudis by up to 10 %.

The final Saudisation practice observed in the industry was *offering career choices to Saudis*, as a way of making the workplace more attractive to them. Not

many firms used this practice heavily, but Firm 5 established some career paths especially for Saudis. Wider career choice gave opportunities to Saudis to join supermarkets through front-end, specialised departments (such as deli and produce) or in warehouses. This flexibility was given to Saudis when they joined the firm and lasted throughout their career with that firm.

The section above has presented the second theme covered in this chapter, *Saudisation practices*, by summarising the status of the Saudisation practices employed by the five firms. The following section discusses the third theme of this thesis, *Saudisation practices as an institutional field*.

8.2.3. Saudisation Practices as an Institutional Field

The last theme investigated in the thesis was *Saudisation practices as an institutional field*. Paauwe (2004) suggests in his CBHRT model that HR practices are shaped through their relationships with external and internal environments. The thesis elaborates on this concept by tracing those Saudisation practices that have been shaped in the Saudi supermarket industry. Pattern-matching analysis was used in the thesis to examine six propositions (see page 105) suggested by the existing literature.

Saudisation practice went through institutional change, which is the third theme of the study. This is connected with the two previous themes, development and Saudisation practices. Greenwood et al. (2002) suggests that institutional change has six stages: precipitating jolts, deinstitutionalisation, preinstitutionalisation, theorisation, diffusion and reinstitutionalisation. In this thesis, Saudisation practices were traced from 1995 until 2007, and the conclusion was reached that they rigorously followed the first four stages, and have now reached the diffusion stage in which practices are more adopted in the industry through moral and

pragmatic legitimacy. As the previous section showed, several practices have been adopted in the industry. Nevertheless, Saudisation has not reached the last stage of institutional change, reinstitutionalisation, where practices become unquestioned and taken for granted. The only exception might be the practice of compensation and benefits, which has already reached what is referred to by Greenwood et al. (2002) refer to as 'cognitive legitimacy'.

Another idea related to Saudisation practices is that of institutional entrepreneurship. Hardy and Maguire (2008) suggest that 'Institutional entrepreneurs require actors to dislodge existing practices, introduce new ones, and then ensure that they become widely adopted and taken for granted by other actors in the field'. This concept was applied to an investigation of institutional actors and their role in leading change. The main actors investigated were the Ministry of Labour and elite organisations such as Firm 5. The actions of the former were stimulated by the problem of unemployment in the Saudi labour market, and the latter reacted accordingly and led other firms in establishing ways of fulfilling Saudisation requirements. The main insight into Saudisation practices from an institutional perspective is that Saudisation practice is shaped by the combination of pressures applied by each of these actors.

Scott's (2008) institutional pillars were used to track all the forms of pressure applied by actors to the institutional field. According to Scott, the pressures can be described as regulative, normative and culture-cognitive. The main regulative pressures are Decree no.50 that stipulated the policy of Saudisation and the required percentages for private sector firms, together with other pressures including restricted jobs, penalising violators with work-permit suspensions, the Saudisation calculations for females and disabled individuals, training as a requirement for the HRDF fund, legislation on working women, the sex segregation law, the decree concerning work visas for non-Saudis, and sponsorship. The core normative pressures applied in institutional fields include

the pioneering Saudisation programmes of leading firms, the employment of Saudisation Managers, training being deployed to attract Saudis and to improve public relations, mass recruitment events and the popularity of employing orphans. Finally, the culture-cognitive pressures were in the form of taken-for-granted beliefs. They included the ideas that Saudis would not accept low-level jobs, that training has great added value for Saudis, that Saudis are attracted by financial rewards, and that employing women would harm society. These pressures combined to shape Saudisation practices in the industry.

The process of shaping Saudisation practices followed what DiMaggio and Powell (1983) refer to as 'institutional isomorphism'. The institutional pressures were all grouped around each of the nine Saudisation practices investigated. Four main categories of institutional pressure were isolated: extensive pressure, limited pressure with a strong business case, limited pressure without a business case, and contradictory pressure. At least one Saudisation practice was found to fit each of these categories, as shown in Table 8.1.

Extensive pressure	Limited pressure with strong business case	Limited pressure without business case	Contradictory pressure
Compensation and benefits Training Mass recruitment	Obtaining HRDF support, Subcontracting	Employing part-timers, Offering career choices	Employment of women
Diffused	Diffused	Not Diffused	Not Diffused

Table 8.1: Institutional Categories of Pressure, Saudisation Practices and Diffusion

It was generally observed that practices made under extensive pressure and those made under limited pressure but with a strong business case were diffused in the industry so that every firm was employing those practices in order to achieve their Saudisation objectives. However, Saudisation practices made under limited pressure, without a strong business case or under contradictory pressure were not

diffused in the industry. This validates the first four propositions of this thesis (1, 2a, 2b and 3).

Further analysis was made to investigate the factors determining which firms led the industry. It was found that factors such as age, larger operations, wider geographical presence, a higher percentage of Saudis in senior management, and decentralised decision making (involving HR autonomy and less engagement from owners) were related to some extent to a firm's leadership position in the institutional field. However, there was no evidence that the demography of senior management (the upper echelons) had affected either the decisions made about Saudisation practices or the position of firms. The lack of evidence for this could be partly the result of the small number of cases in the study. A larger-scale study might find otherwise. The investigation of leading firms in the industry therefore validated Propositions 4 and 5 but Proposition 6 was not supported by enough evidence to be validated.

The third theme covered in this chapter is *Saudisation practices as an institutional field* and is designed to answer Questions 3, 4 and 5 of the thesis. This section highlights Saudisation practices as forms of institutional change, methods used by institutional actors to apply pressure in the field, the effect of institutional pressure on the shaping of Saudisation practices, and the characteristics of firms that lead others to develop Saudisation practices.

To summarise this part of the chapter, the thesis covered three main themes related to Saudisation practices. The three themes together could be summarised as follows: the emergence of Saudisation policy created a significant institutional change. Accordingly, firms started moving towards change in a wide range of ways that led to Saudisation practices. The next section states the contributions of this thesis to research.

8.3. Contributions to Research

This thesis has studied the development of Saudisation practices in the Saudi supermarket industry from an institutional perspective. This section presents the empirical, theoretical and methodological contributions of the thesis to research.

The aim of this study was to contribute theoretically and methodologically to the recent research related to contextual HRM and institutional HRM of scholars including Jaap Paauwe and Paul Boselie. The study used five different models of analysis taken from the literature on institutional theory: institutional change, institutional entrepreneurship, institutional pillars, organisational responses and the context-based human resources model. Using this wide selection of tools has added value by offering numerous ways of examining the phenomenon of Saudisation practices. The thesis used an analytical approach that combined explanation building and pattern matching. This mixture of methods added depth to an understanding of the phenomenon. Finally, the thesis contributed to research by borrowing from upper echelons theory and adding it to the human agency factors of institutional HR models.

Moreover, this thesis proposed a theoretical novel framework to study Saudisation and other labour localisation in the GCC states. The framework would aid in directing research into localisation in the GCC region away from the current scattered efforts into more constructive ones. This thesis in addition to suggesting the framework, examined the framework and six propositions derived from the framework. This offers a detailed guidance on how the framework could be applied in studying real cases in the region. While the thesis was focused on the supermarket industry in Saudi Arabia, the framework could be easily applied in other GCC countries, in other industries or in comparative studies.

Empirically and practically, the study brought a new perspective to the existing literature by selecting a case from Saudi Arabia, a country with a distinctive contextual complexity, compared to its European and American counterparts. This empirical addition strengthens the literature on institutional HRM as well as the theoretically based literature on Saudisation, Saudi HRM and the Saudi supermarket industry. The case of Saudisation is an evolving phenomenon which allows scholars to expand the scope of research to include other industries.

This study makes a profound practical contribution which will assist policy makers and HR professionals, as it offers an alternative mode of examining Saudisation, through the country and its organisations. For policy makers, the thesis presents the impact of Saudisation policy in HR practices in firms, and also presents the strategies of organisations when dealing with regulative pressures. It also bridges some of the gaps between policy makers and firms. For HR practitioners, the study offers insight into industry practices, leading players, and methods of reaching a pioneering position seen through the case of Saudisation practices.

8.4. Research Limitations and Further Research

This section discusses some of the research limitations of this thesis. These limitations are both methodological and practical. The methodological limitations are related to the use of the multiple case-study methodology. The case-study method has been criticised for including narratives that may be difficult or impossible to summarise into neat scientific formulae, general propositions and theories (Benhabib, 1990; Mitchell & Charmaz, 1996; Roth, 1989; Rouse, 1990; White, 1990). There is a potential difficulty in the cross-referencing of data, and

there is often also the possibility that researchers may be influenced by the situation they are investigating and become biased (Anderson, 2004).

Case-study design has also been criticised for its lack of rigour, as it allows researchers to become unstructured and unsystematic in their approach towards data collection and analysis. However, as Yin (2009) explains, this shortcoming results from the limited amount of published work on the step-by-step application of the case-study method. In contrast, numerous works have been published on more conventional methodologies. Another problem which the case-study method has been accused of is that it offers little scientific generalisation. Nonetheless, and as Yin (2009) suggests:

> "The short answer is that case studies, like experiments, are generalisable to theoretical propositions and not to populations and universes. In this sense, the case study, like the experiment, does not represent the 'sample' and in doing a case study, your goal will be to expand and generalise theories and not to enumerate frequencies." (15)

The other methodological limitations relate to the "retrospective longitudinal" approach adopted in collecting data about Saudisation practices in firms. This approach has been criticised because it is highly likely that the participants in such a study will recall past events unevenly. The reliability of the collected data is therefore always questionable. As a result, it is suggested that a careful and detailed examination of the data collected is essential if any distortion in the information and its constructed sequences is to be overcome (de Vaus 2007). De Vaus (2007) also describes possible pitfalls in the retrospective approach to historical events:

> "The first [problem] is that people will reconstruct past events in the light of subsequent events. This can result in distortion and reinterpretation by which recalled events bear little resemblance to actual events. … [T]he second problem with studies requiring

respondent recall is telescoping and reverse telescoping (Menard 1991). People can misremember and think that events happened more recently than they actually did (telescoping) or longer ago that they really did (reverse telescoping)." (140)

To deal with the possibility of telescoping and reverse telescoping, de Vaus (2007) suggests focusing on certain events in the past and using them as 'anchor points' so that other events can be recalled more accurately. The four legal and institutional changes of the Saudisation policy were therefore used as anchor points: 1) Decree no.50 concerning the enforcement of Saudisation employment percentages in the private sector; 2) the foundation of the HRDF; 3) the appointment of Dr. Ghazi Al-Qusaibi as Minister for Labour and his introducetion of new restrictions on working visas for foreign workers; and 4) Decree no.120 and its prohibition on men working as sales personnel in women's clothing shops. These anchors were used to take the interviewees, as it were, back in time so that they could accurately describe the changes and alterations in Saudisation practices.

One of the empirical limitations is *Saudisation* itself as an empirical case study. The Saudisation phenomenon is evolving at several different levels. The first is the policy level, where many changes have taken place since 2007. The Ministry of Labour has introduced several major regulations, including nitaqat (a tool for measuring the level of Saudisation in firms, which entitles them to varying privileges depending on their level of compliance with Saudisation) and a sudden increase in work permits for non-Saudis by a factor of more than eleven. The other level is the evolution of Saudisation practices since 2007, because of their more mature use by the firms.

Constraints to the research included practicality, geography and senior management confidentiality. The remoteness of the firms from each other limited the amount of time spent in each one, while the confidential nature of some of the

required data, especially senior management data, reduced the number of firms that could take part in the study. A lack of information about the supermarket industry in the country was noted in the course of the research.

Recommendations for further research will now be presented. It is the belief of the researcher that Saudisation is an evolving phenomenon, and the most important HR and labour market issue in Saudi Arabia by far. Further research ought to widen the scope of this thesis by comparing its findings to those for other industries. Further research should also compare the nationalisation practices of other GCC countries that share similar cultural backgrounds. Finally, research into the development of Saudisation practices in the Saudi supermarket industry between 2007 and the present day will add further meaning to the narrative of Saudisation in this thesis. The study used some institutional analysis models that could also be used by HR researchers interested in the area of Saudisation. This will both contribute to the literature of institutional HR and connect Saudisation to a larger community of institutional and HR scholars.

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Appendices

Appendix A: Data Collection Instruments

Executive Profile

Organizational Code:	
Manager Name (optional):	
Job Title	
Date of Birth: (dd/mm/yyyy)	
Nationality:	
Joining date (dd/mm/yyyy)	
Leaving date (if applicable) (dd/mm/yyyy)	
Date of joining the top management team (dd/mm/yyyy)	
Education level (1)	
Educational Background (2)	
Previous functional experience (3)	
Years of international experience:	
Date (or year) of first job in career (dd/mm/yyyy) or (yyyy)	

[1] Doctorate, Masters, Bachelors, Diploma, vocational training, or on the job training
[2] Engineering, Science, Business Administration, Economics, Law, Business (Accounting, finance etc) others specify
[3] CEO, COO, Finance/ Treasurer, Planning, Personnel, Public Affairs, Operations, Marketing/ customer service, Information systems, Maintenance, General management, Corporate staff, Accounting, Others

Firm Profile

Firm Background	
Firm Name	
Firm Code	
Establishing date	
Number of owners in the Top Management	
HR autonomy in decision making	

Historical Profile	2003	2004	2005	2006	2007
Nature of Ownership					
Number of employees					
Annual revenue					
Number of Stores					
Area of Stores (sq. m)					
Location(s)					
Upper Echelons Team (enter mgrs. codes)					

Saudisation Practices	2003	2004	2005	2006	2007
Compensation and Benefits					
Programmes (initiatives)					
Investment (SR)					
Training					
Capacity (numbers)					
Range of courses					
Investment (SR)					
Receiving HRDF					
Amount Received					
Employing Women					
Number or (%)					
Programmes (initiatives)					
Investment (SR)					
D. Subcontracted Employees.					
Number or (%)					
Programmes (initiatives)					
Investment (SR)					
A. Employing Part Time					
Number or (%)					
Programmes (initiatives)					
Investment (SR)					
Targeting New Segments					
Programmes (initiatives)					
Investment (SR)					
Career Development					
Programmes (initiatives)					
Investment (SR)					

Appendix B: List of Interviewees

Preliminary Interviews

Job Title	Industry	Date
HR Director	Supermarket	25 July 2006
HR Manager	Supermarket	25 July 2006
HR Manager	FMCG	25 July 2006
Operations Manager	Manufacturing	25 July 2006
Recruitment Officer	N/A	25 July 2006

Case Study Interviews

Job Title	Firm	Date
HR Manager	Firm1	15 June 2007
Saudisation Manager	Firm1	15 June 2007
HR Assistant Manager	Firm1	15 June 2007
HR Officer	Firm1	15 June 2007
HR Group Director	Firm2	22 June 2007
Operations Manager	Firm2	22 June 2007
HR Manager	Firm2	22 June 2007
HR Assistant Manager	Firm2	22 June 2007
HR Officer	Firm2	22 June 2007

Chief Executive Officer	Firm3	5 July 2007
HR Manager	Firm3	5 July 2007
Saudisation Manager	Firm3	5 July 2007
HR Manager	Firm4	20 June 2007
Saudisation Manager	Firm4	20 June 2007
Chief Executive Officer	Firm5	15 May 2007
HR director	Firm5	15 May 2007
HR Manager	Firm5	15 May 2007
Training Manager	Firm5	16 May 2007
Saudisation Manager	Firm5	16 May 2007
Manpower Manager	Firm5	16 May 2007
Store Manager	Firm5	17 May 2007
HR Officer	Firm5	17 May 2007
Senior HR Officer	Firm5	13 September 2010
Senior Trainer	Firm5	13 September 2010
Recruitment Officer	Firm5	13 September 2010