

# The Impact of Strategic Human Resource Management on Organizational Performance

## A Case Study for Saudi Arabia Basic Industries Corporation (SABIC)

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### Abstract

Strategic human resource management is the proactive management of people. It requires thinking ahead, and planning ways for a company to better meet the needs of its employees, and for the employees to better meet the needs of the company. This can affect the way things are done at a business site, improving everything from hiring practices and employee training programs to assessment techniques and discipline. This study is descriptive based on the collection and analysis of results of studies, reports, periodicals and books related to the topic of study in order to investigate the relationships between strategic human resource management (SHRM) on organizational performance ,case study of Saudi Arabia Basic Industries Corporation (SABIC). The Purpose of this Study is to demonstrate the meaning of strategic human resource, the meaning of organizational performance ,advanced studies related to the topic of study , the relationship between strategic human resource management on organizational performance Saudi Arabia Basic Industries Corporation (SABIC) and How (SABIC) company enhance organizational performance through its HR strategy. The researcher has adapt four possible types of measurement for organizational performance in SABIC 1) Human Resource outcomes (turnover, absenteeism, job satisfaction), 2) organizational outcomes (productivity, quality, service), 3) financial accounting outcomes (ROA, profitability), and 4) capital market outcomes, (stock price, growth, returns). Based on descriptive study, the researcher has analyzed SABIC performance. The finding of this study that (SABIC) has overall good performance due to Strategic human resource management .However continuo improvement is required specially decline in oil prices in the last quarter of 2014 and global financial crisis. In the conclusion of this study, the researcher has mentioned to 10 important points in SABIC performance .

**Keywords:** strategic human resource management , organizational performance

### Introduction

Based on ( Ken Lovell , 2009 ) An organisation's resources are scarce in the conventional economic sense that they are finite. Similarly, 'labour' is regarded as a resource in conventional economics. Strategic questions include the allocation of scarce resources within an enterprise. It is therefore not surprising that the management of employees has come to be considered from a strategic perspective by many scholars (Gunnigle, Turner & Morley, 1998: 115; Sisson & Marginson, 1995: 107), and in recent years has increasingly been regarded as a potential source of competitive advantage (Becker & Huselid, 1998: 54). However, lively debates continue: what exactly constitutes SHRM (Keenoy, 1999)? How, if at all, does it differ from 'ordinary' HRM? Is there a single 'best practice' HRM strategy (or 'menu' of strategies), or does each enterprise have a unique strategy (Kaufman, 2001b)? Do HRM strategies exist as things-in themselves or do they come into being in response to the needs of corporate and business strategies (Purcell, 2001)? To what extent can managers develop and implement effective HRM strategies in practice (Godard & Delaney, 2000)?

In the past decades, human resource management has been identified as an important element that aid firm competitive advantage, capable of creating differentiation while contributing to firm overall performance. In recent years, a growing body of research has emerged that go further and argues the importance of strategic human resource management to firm performance. (SOLOMON and MOHD, 2014) .(Tamer K. Darwish , 2009) Significant attention has been directed towards human resource management (HRM), which many have seen as representing a distinct approach to managing people (Guest, 1997). Interestingly, although researchers have highlighted the holistic nature of HRM, much of the initial research into the concept focused on a limited range of issues and has been criticized as 'micro analytic' (Delery and Doty, 1996). However, in the last decade, researchers have sought to show the importance of HRM in influencing organizational performance and it is from this premise that the current interest in SHRM has developed (Cappelli and Crocker-Hefter, 1996)

### Research Problem :

Researcher has found through pilot study that many managers could not understand the importance of strategic human resource management and its effect on organizational performance on the other hand some managers belief that strategic human resource management (SHRM) will raise organizational performance which motivate the researcher to investigate the relationship between both variables specially in Saudi Arabia Basic Industries

Corporation (SABIC).

### Research Question

Based on research problem, the researcher formulate research problem as follow. what are the relationship between strategic human resource management on organizational performance and how (SABIC) company enhance organizational performance through its HR strategy.

### Research Objectives

By reviewing studies, reports, periodicals and books related to the topic of study, researcher can identify the main objectives of this research at the following objectives :

- 1- Identify the meaning of strategic human resource management (SHRM)
- 2 Identify the meaning of organizational performance?
- 3- Identify strategic human resource management practise in (SABIC) company
- 3- Identify the relationship between strategic human resource management on organizational performance (SABIC) company.
- 4- How (SABIC) company enhance organizational performance through its HR strategy.

### Research Methodology

This study is descriptive based on the collection and analysis of results of studies, reports, periodicals and books related to the topic of study in order to investigate the relationship between strategic human resource management on organizational performance in (SABIC) company.

### Research limitation

This research has driven theoretically to investigate the relationship between strategic human resource management on organizational performance in (SABIC) based on the collection and analysis of studies, reports, periodicals and books in order to formulate a primary picture for SABIC performance..However, the researcher is looking for conducting analytical study to evaluate SABIC performance using statistical methods.

### Theoretical frame work

#### 1- Human Resource Management (HRM) and Strategic human resource management (SHRM)

Delery and Doty (1996) have identified seven human resource practices considered to be strategic: career opportunities, floral training systems, appraisal measures, profit sharing, employment security voice mechanisms, and job definition. The human resource of an organization is conceptually realized it terms of it playing a strategic role in the success of the organization. Strategic human resource management practices are those practices specifically developed, implemented and executed based on a deliberate linkage to a company's strategy (Huselid, Jackson, & Schuler 1997).De Bejar and Milkovich (1984) considered SHRM as a stream of HR related decisions that occur at various levels in the organizations. While, Delery and Doty (1996, p. 803) defined it as "SHRM practices are those that are theoretically or empirically related to overall organizational performance". Redman and Wilkinson (2001) approached SHRM as entailing strategic integration and a positive management of employees, with emphasis on employees as resources rather than cost.

There are difference between traditional Human resource management and strategic human resource management as below table (Sayma prakhr, Anil yadav and Duugi, (2013))

Traditional HRM v.s. SHRM		
Point of distinction	Traditional HR	Strategic HR
Focus	Employee Relations	Partnerships with internal and external customers
Role of HR	Transactional change follower and respondent	Transformational change leader and initiator.
Initiatives	Slow, reactive, fragmented	Fast, proactive and integrated
Time horizon	Short-term	Short, medium and long (as required)
Control	Bureaucratic-roles, policies, procedures	Organic-flexible, whatever is necessary to succeed
Job design	Tight division of labor; independence, specialization	Broad, flexible, cross-training teams
Key investments	Capital, products	People, knowledge
Accountability	Cost centre	Investment centre
Responsibility for HR	Staff specialists	Line managers

source : Sayma prakhr, Anil yadav and Duugi, Contemporary (2013) issues in HRM

## Researcher Comments

Human Resource Management (HRM) and Strategic human resource management (SHRM) are integrated to achieve organizational strategy.

## 2- Organizational performance concept

In the '50s organizational performance was defined as the extent to which organizations, viewed as a social system fulfilled their objectives (Georgopoulos & Tannenbaum, 1957). Performance evaluation during this time was focused on work, people and organizational structure. According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). Campbell's (1999) theory defines performance as behavior or action relevant to the attainment of an organization's goals that can be scaled, that is, measured. Moreover, job performance is defined as what one is paid to do, or what one should be paid to do.

Performance is accounted as a vital factor to management. The output of an individual or a team in an organization is considered as the performance, which relates to the authority and responsibility to obtain objectives in a lawful manner in conformity with the standards of moral and ethics. (Iswati and Anshori, 2007).

## Researcher Comments

organizational performance is Contemporary issue in all aspects for getting correct information about the performance of an organization and the factors that affect performance in order to achieve organizational effectiveness

## 3- Empirical Approaches in SHRM

There are two approach in Strategic human resource Nada Allainin & other (2003)

The universalist approach gathers studies which attempt to locate and validate "best HRM practices" (Pfeffer, 1994). This approach is articulated around four principles: - superiority and universality of the HRM practices: some HRM activities are always higher than others and can be applied in any organization (Delery & Doty 1996). - selectivity and superiority of the financial reading of the performance: all HRM activities cannot be considered to be strategic and HRM inducing highest financial performance will be preferred. - autonomy and additives: when several HRM activities are used simultaneously, the effect of these HRM practices on the performance is the resultant of the individual effects of each HRM practice.

The second approach or contingency approach suggests that organizations whose HR policy and practice are more responsive to external factors will report superior performance (Guest 1997)(Chandler, 1962). This approach assume an adequacy of HRM practices with the business strategy. It postulates that the performance of the organization results from the fit between its structure and the characteristics of the environment (Lawrence & Lorch, 1967).

**Researcher Comment**: by reviewing both above approaches the contingency approach is different from the universal approach because it views the entire environment and market situation to make decisions instead of just focusing on the inside of the company. The contingency approach helps boost organization performance because the tasks are handled more microscopically and the solutions and strategies are more customized.

## 4- Review of Literature

Below list of previous study:

### A- Mahshid Sherafati & Roohollah Mohammadi, (2014) The Impact of Strategic Human Resource Management on Organizational Performance

The main purpose of this paper is to study the effect of Human Resource Management Strategy on Organizational Performance in Tehran Stock Exchange Market. To assess this, a model with 6 latent variables has been presented in which each of the variables has been measured by other indicators. To measure the indicators of the model, a questionnaire was prepared and distributed among 84 Human Resource Management Departments of firms on Tehran Stock Exchange. The model was examined using PLS Path Modelling Technique. According to the results, Human Resource Strategy leads to human resource effectiveness because of enriching organizational performance.

### B- Solomon Ozemoyah, Mohd Faizal and Wan Shakizah (2014) Assessing the Impact of Strategic Human Resource Management on Tangible Performance: Evidence from Nigerian SMEs.

Human resource management (HRM) is the most sustainable competitive advantage of the firm. The study examines the impact of strategic human resource management on tangible firm performance. Therefore, to test this relationship, the study employs cross sectional approach to collect data from a sample of 250 SMEs in Lagos

Nigeria. Using multiple regressions, the result shows that strategic human resource management (SHRM) has a significant positive influence on tangible performance. Based on the aforementioned result, the study recommended that implementing these sets of practices within SMEs can induce firms to perform better.

**C- Muogbo U.S. (2013 ),The Impact of Strategic Human Resource Management on Small and Medium Sized Enterprises (A Study of some Selected Paint Manufacturing Firms in Anambra State Nigeria).**

The study investigated the impact of Strategic Human Resource management on small and medium enterprises (A study of some selected Paint manufacturing firms in Anambra State Nigeria). 106 respondents selected from 17 Paint manufacturing firms across the three Senatorial zones of Anambra State. The populations of the study were 128 workers of selected Paint manufacturing firms in Anambra State. The general objective of the study is to investigate the place of Strategic Human Resource Management in improving corporate performance among SMEs in Anambra State Nigeria. The study used descriptive statistics (frequencies, means and percentages) to answer the three research questions posed for the study. The Spearman Rank Correlation Coefficient was used to test the three hypotheses that guided the study. The results obtained from the analysis showed that there is a strong positive correlation between strategic HRM and performance level of competition in SMEs. The major finding of the research work is that SHRM is an important and indispensable tool for any organization's performance and for any organization that wants to gain competitive advantage over others. The study therefore recommends that further studies be carried out in Nigeria to investigate the causes of non-adoption of Strategic HRM in Anambra state in particular. The causes of this when known and curbed, small and medium scale industries in Nigeria might become more competitive in boosting the development of Nigerian economy.

**D-Oladipo Jimoh,Abdulkadir Danlami,(2011) ,Strategic Human Resource Management and Organizational Performance in the Nigerian Manufacturing Sector: An Empirical Investigation.**

Despite the relatively large bulk of literature on strategic HRM, there is still an ongoing debate as to whether it exists in reality or is merely rhetoric. This paper attempted to broaden the scope of existing literature by examining the extent to which Strategic HRM is practiced in the Nigerian manufacturing sector as well as its impact on organizational performance. A multi-respondent survey of 21 Nigerian manufacturing companies was undertaken and data collected was subjected to correlation and regression analysis as well as descriptive statistics in pursuance of the stated objective of finding a fit between organizational performance and strategic human resource management practices. Results show that strategic HRM was moderately practiced by the companies operating in the Nigerian manufacturing sector. Results also indicate that line management devolvement, innovative recruitment and selection system, regular training and development of personnel, equity based compensation system, performance appraisal system, effective career planning system and a robust employee participation in the organizations' decisions and actions are the key strategic HR practices that influence organizational performance in the Nigerian manufacturing sector. It therefore, implies that companies operating in the Nigerian manufacturing sector should pay more attention to these practices with a view to improving their implementation across the industry.

### **5- Overview of Saudi Basic Industries Corporation (SABIC)**

SABIC is a global company that is a fast-growing petrochemicals and steel producer. SABIC, headquartered in Riyadh (Saudi Arabia), is one of the world's top 6 petrochemical companies and it is the largest non-oil company in the Middle East. SABIC was established by royal Decree No. M/66 dated 7th September 1976, as a joint stock corporation under the authority of the Ministry of Industry and Electricity, with SR 10.00 million (\$2.937) million as capital, divided into ten (10) million shares (SABIC Report, 2010).

The Saudi Basic Industries Corporation (SABIC) is one of the world's leading manufacturers of fertilizers, plastics, chemicals and metals, and SABIC is manufacturing tens of related products and supplies these products to other companies, who use them to make key global products. SABIC is the largest and most reliable profitable public company in the Middle East with sound investor relations. This success is the result of its focus on three things: investment in local partnerships, emphasizing the best research and technology programs, and its ambitious global growth strategy (SABIC Report, 2010).

### **6- SABIC Vision and Mission**

According to SABIC report 2010 the vision and mission of SABIC as following:

SABIC Vision: To be the preferred world leader in chemicals.

SABIC Mission: To responsibly provide quality products and services through innovation, learning and operational excellence while sustaining maximum value for stakeholders.

### **7- SABIC Human Resources**

Moudhi Mohammad Alzoman (2012) One of the major goals in creating SABIC was the further development of Saudi manpower. The first generation of SABIC's Saudi personnel received on-the-job training from joint ventures in industrial management, technical operation and administrative skills. SABIC considered human

resources as the biggest single challenge and the most difficult faced in the early stages of its operations due to the shortage of a skilled Saudi national work force. In order meet the challenge of developing a national work force capable of taking over management and technical positions in the future, SABIC initiated programmers' for the development of human resources aimed at fulfilling this aspiration. In addition to its concern for customers, SABIC demonstrated a solid commitment to the development of its growing numbers of employees .

SABIC currently employs more than 33,000 people working in more than 100 countries on six continents. At the Saudi Arabian sites (where the research was conducted), the proportion of Saudis is 85% of the total workforce (14 450 out of 17 000 employees) most of these are engineers and skilled technicians. Saudi nationals hold 99% of the leadership positions (e.g. board level) in SABIC and its subsidiaries, comprise 79% of the staff working in administrative jobs, 77% of those working in technical fields, 63% of engineers, 72% of workers in information technology, 78% of workers in the finance and 100% of field safety workers, whereas the percentage of Saudi nationals in management posts is unknown.

Abdullah Al-Otaibi & other (2009) Human Resources is core to SABIC's success. In a complex industry, such as Petrochemicals, nurturing human talent is essential. SABIC's key strength, therefore, rests in more than 16,000 employees worldwide, including 2,300 employees at SABIC Euro Petrochemicals. Under its umbrella SABIC employs multinational workforce that incorporates Saudis and people from different parts of the world, at company locations across the globe.

SABIC Human Resources puts emphasis on training and developing employee skills employees. It has successfully trained a generation of Saudis in different disciplines such as manufacturing, marketing, finance, Research and Technology, Personnel and Administration. The company employs both traditional and non-traditional means to attract talented individuals from all over the world, to ensure its reputation as a truly global company. SABIC Human Resources concentrates on the following elements concerned with regarding the training, deployment, and growth of employees.

- Job specifications
- Required qualifications
- Identification of training canthers
- Training programs and syllabus based on current and future requirements
- Continued follow up and evaluation of training programs
- Development of competencies required for career ladders
- Development of career path plans

## **8- SHRM and competitive advantage in SABIC**

The concept of competitive advantage was formulated by Michael Porter (1985) a firm creating value for its customers. SABIC company considered workforce as a most valuable assets to achieve competitive advantage in all aspects that is why SABIC has written in formal 2013 reports " SABIC global workforce is our most vital resource in the creation of competitive advantage. Our goal is that leaders and colleagues foster an inclusive environment, allowing every employee to contribute to their maximum potential . This enables SABIC to benefit from the diversity of thoughts and experiences and bring the best solutions to market, while contributing to the durability of our talent pipeline. The rich, global diversity of our employee backgrounds, experiences, and interests is viewed as an attractive factor to candidates seeking a motivating and meaningful career. While the concept sounds simple, as a global company we face the challenges of our complex world: different cultures, expectations, time zones, and mindsets"

## **9- Strategic Human Resources Practices and Techniques in SABIC**

Researcher has found through SABIC sustainability report, that SABIC adopt different business strategies like growth , quality improvement ,product development ,Market development and innovation so the alignment between strategic human resources management and SABIC business strategies require determine the main human resources management practice in SABIC in order to achieve SABIC strategy in proper way through HR practices .

### **9.1 Selection System**

Employee Selection is the process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualifications of people. Employee selection can range from a very simple process to a very complicated process depending on the firm hiring and the position. The mismatch between the person and the job can hamper performance levels, whereas a sophisticated selection system can ensure a better fit between the person's abilities and the organization's requirement. Also, selection has been found to be positively related to firm performance (Terpstra and Rozell, 1993). SABIC company concentrate on achieving the balance between job description and person specification in all fields. SABIC has done set of criteria to select the suitable candidates based on qualifications , skills ,abilities and other specific skills based on Vacancies .

SABIC has 8 steps to help candidate to submit their papers as below

1	<b>Search</b>	Visit <a href="http://www.sabic.com/careers">www.sabic.com/careers</a> and select your preferred region to search job openings. Create a profile or job alert to receive email notifications with new openings.
2	<b>Apply</b>	Apply on a job fitting your career aspirations. When starting the online application process, make sure you have an updated resume ready for uploading. Soft-copies from supporting documents like educational certificates or ID may not be required from start though can be added too.
3	<b>Application Screening</b>	Our recruiters will short-list the applications received based on job requirements and salary expectations. Short-listed candidate profiles are shared with the hiring manager. Our intention is to inform candidates who did not make it to the short-list by email. In some regions only applicants selected for interviews will be informed.
1-2 weeks*		
4	<b>Orientation Interview</b>	Once selected on the short list you will be invited for an orientation interview by phone or in-person with a recruiter to make sure you meet all requirements and sharing more specifics about the job opening. After discussion with the hiring manager, a selected number of qualified candidates will be invited for face-to-face interviews.
1-2 weeks*		
5	<b>In-Person Interviews</b>	The interview invitation letter will inform you about location, time and interview team members you will meet. To prepare interview team members you may also receive requests for additional information or an online e-assessment. The interview schedule can contain individual and/or panel interviews.
2-4 weeks*		
6	<b>Offer</b>	After all interviews have taken place, the interview team decides if you will be offered the open position. The offer will include information about compensation and benefits for the role and expected start-date.
1-3 weeks*		
7	<b>Background Check</b>	Thank you for accepting our offer. With our commitment to integrity and safety values, we like to validate if all information submitted during the application process is correct and accurate. A background check procedure or acknowledgement statement is applicable. Once this process is complete you will be notified to confirm your start date.
1-2 weeks*		
8	<b>Induction</b>	Welcome to SABIC! Now your SABIC journey starts. Shortly before and after the agreed start date we will help you assimilate in your new workplace. We will plan new hire orientation and provide guidance for career development.
SABIC Recruitment Process report		

## 9.2 Training and Development System

Organizations can develop and enhance the quality of the current employees by providing comprehensive training and development. Indeed, research indicates that investments in training employees in problem-solving, teamwork and interpersonal relations result in beneficial firm level outcomes (Barak et al., 1999). SABIC create a training and development department committed to the development of each SABIC employee through training programs. (SABIC report 2013)

It has successfully trained a generation of Saudis in different disciplines such as manufacturing, marketing, finance, Research and Technology, Personnel and Administration.

The company employs both traditional and non-traditional means to attract talented individuals from all over the world, to ensure its reputation as a truly global company. SABIC Human Resources concentrates on the following elements concerned with the training, deployment, and growth of employees.

- Job specifications
- Required qualifications
- Identification of training centers
- Training programs and syllabus based on current and future requirements
- Continued follow up and evaluation of training programs
- Development of competencies required for career ladders
- Development of career path plans

While the company takes pride in its multinational workforce, the number of Saudi nationals in SABIC and its affiliates has increased over the years in the spirit of providing jobs to eligible Saudi nationals. The percentage of Saudi technical manpower against the total number of Saudi employees has risen considerably. Saudi nationals now occupy 99% of management positions in SABIC and its affiliates. Saudi nationals account

for 81% of the total number of employees (13,816 employees) most of whom are engineers and skilled technicians. Most SABIC companies have achieved high Saudi employee ratios; some exceeded 90%. Saudis form 79% of employees in the administrative field, 77% in technical areas, 63% in engineering, 72% in IT, 78% in finance and 100% in safety and security. SABIC Human Resources successfully implemented enterprise resource planning (ERP) and enacted a program of change management through effective employee communication.

Based on the survey which has been conducted by Abdullah Hamad Al-Salamah( 1994 ). Employees were asked about training courses held within their firm. The following table below gives the result.

Does your company hold training courses?	Saudi Arabian	Western	Developing countries	Row total
Yes	164 (56.2%)	23 (7.9%)	105 (36.0%)	292
No	7 (35.0%)	1 (5.0%)	12 (60.0%)	20
Total	171 (54.8%)	24 (7.7%)	117 (37.5%)	312 (100.0%)

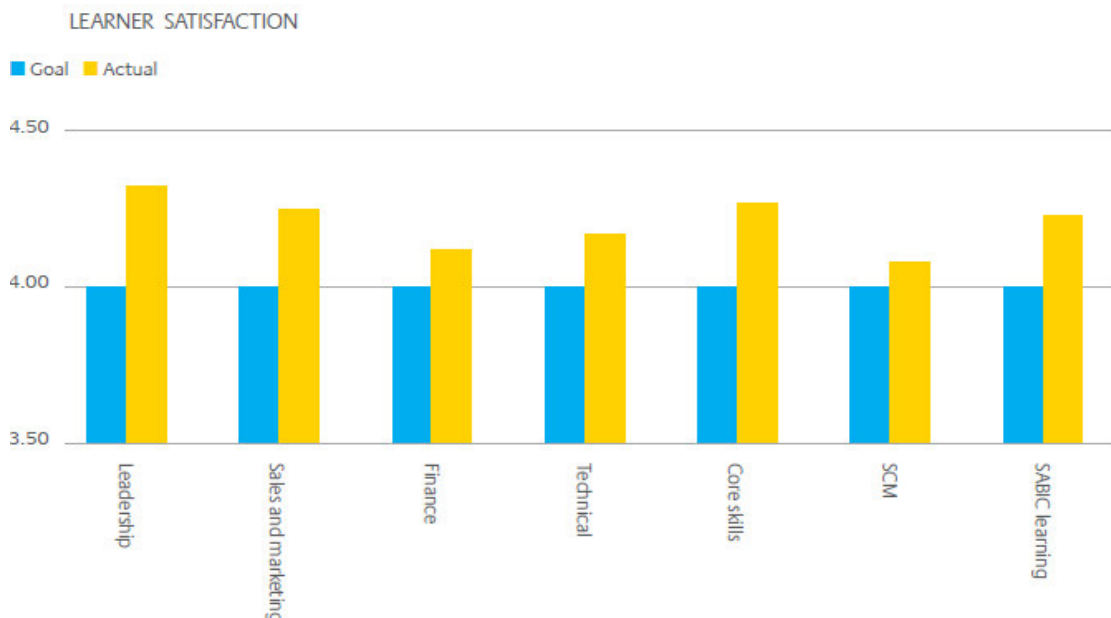
Source : Abdullah Hamad Al-Salamah ( 1994 ), Employee perceptions in multinational companies : a case study of the Saudi Arabian basic industries corporation.

The table shows that SABIC's companies are actively involved in training activities beneficial to the local employees as well as foreign employees. It shows that 292 employees (93.6%) of the whole sample agree that their companies are providing training courses, while only 20 employees (6.4%) of the whole sample responded that their companies are not providing training courses.

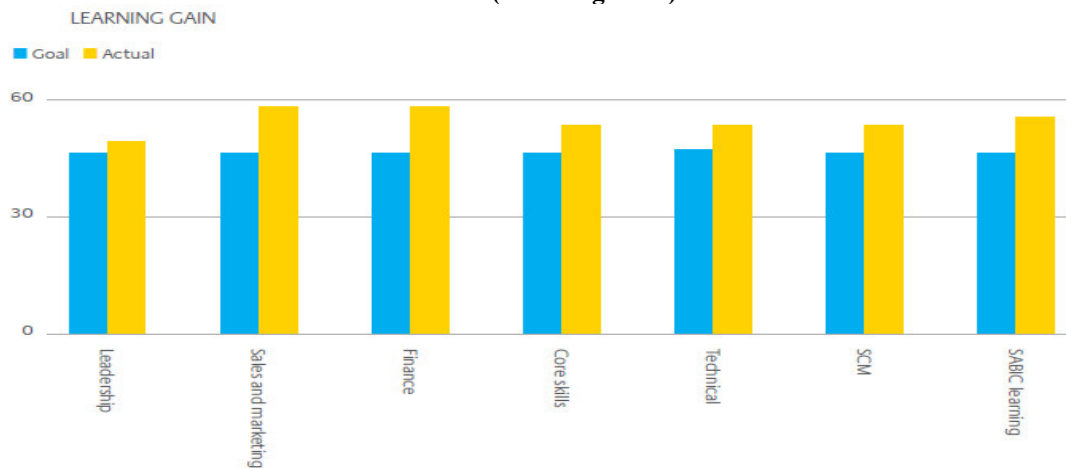
Based on SABIC report 2013 , SABIC emphasis on Learning and Development (L&D). During 2013, SABIC's L&D Organization made significant progress in implementing a goals-based measurement process across a sample population of course curricula. Using the internationally recognized Evaluation Model as the measurement system, the sample population accounted for more than 425 learning courses attended by more than 7,500 SABIC learners, or approximately 20% of SABIC's workforce.

**SABIC evaluation Model:**

- **Level 1: Learner Reaction and Satisfaction .**



• **Level 2 (Learning Gain)**



**9.3 Performance Appraisal System**

Performance Appraisal System Organizations can monitor the development of desired employee attitudes and behaviours' through the use of the appraisal mechanisms. SABIC has created a Key performance indicators (KPIs) to monitor their employees performance toward assigned goals ,however SABIC applied the new annual bonus system, called Employee Performance and Incentive Compensation EPIC, was starting in 2006. SABIC staff will be given a significant portion of their compensation based on their performance.

SABIC increase employees performance through combining the talents employees

SABIC Initiative is combining the talents of its 33,000 employees worldwide into one, integrated global organization that will work together to drive SABIC towards its 2020 vision to become the preferred world leader in chemicals.



Source : Abdulrahman Al-Aali, Abbas Ali, and Fred David,(2011)Strategic Management: Concepts and Cases, SABIC Saudi Basic Industries Corporation. Pearson Publication , Arab World Edition.

**9.4 Compensation System**

Firms can affect the motivation of employees in several ways. They can use performance-based compensation to provide rewards to employees for achieving the specific goals and objectives of the firm. A substantial body of work has provided evidence that incentive-based compensation has an impact on firm performance (Milkovich



and Boudreau, 1998). Based on the survey which has been conducted by Abdullah Hamad Al-Salamah ( 1994 ) . Employees were asked about their satisfaction of SABIC salaries .

Most Saudi Arabian nationals and those from developed countries are satisfied with their salaries, but over half of those from developing countries are either less satisfied or dissatisfied. This undoubtedly reflects the lower salary levels of those from developing countries, and perhaps their resentment when they contrast their remuneration with that of Saudi Arabian nationals and employees from the West.

**Satisfaction with salaries**

	<i>Saudi Arabian</i>	<i>Developed country</i>	<i>Developing country</i>	<i>Row total</i>
Very satisfied	20	2	6	28
Satisfied	55	12	45	112
Less satisfied	62	5	35	102
Dissatisfied	34	5	31	70
Total	171	24	117	312

**Source : Abdullah Hamad Al-Salamah ( 1994 ), Employee perceptions in multinational companies : a case study of the Saudi Arabian basic industries corporation.**

Based on SABIC planning for the future reports (2006) , There are many rewards for SABIC team . SABIC emphasis on retaining talented and innovative employees through comprehensive benefits choices, competitive pay, and career development like :

- Health and Welfare Benefits
- Time Off Benefits
- Work/Life Balance Benefits
- Retirement Benefits
- Health and Welfare Benefit
- Life Insurance
- Rewards and bonus
- Salary Continuation and Short -Term Disability Plans
- Long-Term Disability
- Long -Term Care
- Vacation
- Holidays
- Personal Time Off
- Employee Assistance Program (EAP)
- Work/Life Balance Benefits
- Legal and Financial Information Services
- Elder Care Assistance
- Counselling on Education and Careers
- Education Benefits
- Retirement Benefits
- U.S. Employee Retirement Savings Plan

### **9.5 Career Planning System**

A well-functioning career planning system may also encourage employees to take more responsibility for their own development, including the development of the skills viewed as critical in the company. A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm performance Milkovich and Boudreau (1998).

Based on the survey which has been conducted by Abdullah Hamad Al-Salamah ( 1994 ) . Employees were asked about their satisfaction of SABIC promotion opportunities .

## Satisfaction with promotion opportunities

	<i>Saudi Arabian</i>	<i>Developed country</i>	<i>Developing country</i>	<i>Row total</i>
Very satisfied	6	1	4	11
Satisfied	31	1	27	59
Less satisfied	66	2	31	99
Dissatisfied	68	20	55	143
Total	171	24	117	312

**Source : Abdullah Hamad Al-Salamah ( 1994 ), Employee perceptions in multinational companies : a case study of the Saudi Arabian basic industries corporation.**

There is widespread dissatisfaction with promotion opportunities within SABIC, especially amongst foreign employees, with those from developed countries being the most dissatisfied. Over 83 per cent of respondents from developed countries indicated their dissatisfaction, compared to 47 per cent from developing countries. The latter had perhaps lower expectations concerning promotion than employees from developed countries given their level of skills and their position in SABIC.

Preference is given to suitably qualified and experienced Saudi Arabian nationals with respect to promotion, but it was notable that even amongst the local citizens surveyed there was considerable dissatisfaction. Surprisingly, a lower proportion of respondents from Saudi Arabia were either very satisfied or satisfied (21 per cent), compared to those from developing countries (26 per cent). Almost 40 per cent of Saudi Arabian respondents were less than satisfied, with a similar proportion dissatisfied.

Inevitably in any organization it will be a minority that actually achieve promotion to the highest ranks, and in a corporation such as SABIC, involved in highly complex processes, only those with exceptional organizational and technical skills can aspire to reach the top. Personal ability ceilings may explain some of the dissatisfaction, rather than simply company policy. Where those occupying senior positions are relatively young, then more junior employees may have longer to wait for promotion, which may also be a source of frustration in SABIC. Those who have acquired technical skills and attended management training courses are often disappointed when they see no immediate benefits in terms of career prospects despite having fulfilled all the prerequisites. There has been some movement of the most able employees from SABIC to ARAMCO, the Arabian American Oil Company, where there are arguably greater opportunities for advancement.

Reference to Mohammed Nasser Saeed Al Shahrani in his study (2013) entitle "The Role of Job Track Planning in Improving staff members Industrial Security performance in SABIC Company , Naif Arab University For Security Sciences

He found that there are differences statistically significant at the level of less than (0.05) among workers in the Emirate of Riyadh region, and workers in SABIC in Riyadh in their opinions about each of the effectiveness of HR planning, and ways that limit constraints, and how to achieve job security for workers in favour of SABIC, on the constraints of HR planning in favour of the Emirate.

### Main Recommendations:

- 1- The necessary to discuss the needs of the various departments of the workers in mind when doing HR planning.
- 2- Reduction of duplication and overlap in some of the functions of HR planning management with other departments.
- 3- To urge officials to grant units of HR planning for adequate powers to create the appropriate environment for proper planning.

**Researcher Comments :** By reviewing formal SABIC reports from 2006 ,to 2015 , and other published documents in the worldwide, we can say SABIC like an organization has some weakness points however SABIC over control its obstacles by adapting effective strategic human resources management so SABIC has identified four priorities for achieving its 2025 vision: focusing on the culture of the organization and the culture of its leadership to drive the changes needed; ensuring that each and every member of the staff has the necessary knowledge and skills to carry out that job to the best of their abilities; recognizing that the company is not just recruiting for its needs of today, but anticipating the needs of tomorrow; and to make sure that the HR team is fully equipped to meet its goals.

## 9.6 Employees Participation

The concept of treating employees as the most important asset of an organization is an underlying assumption of HRM. As such, facilitating and enhancing greater employee influence and participation is obviously basic to successful HR practice in organizations. Studies have shown that employee participation is positively related to performance, satisfaction, and productivity of an employee (Verma, 1995).

SABIC report 2013 , In September 2013, SABIC conducted its second global employee survey. It is repeated every three years and is a key opportunity to encourage employees to share their views and perspectives on areas that matter most to them and to SABIC company. As importantly, the survey provides a tool for comparing trends and progress over time, and to benchmark SABIC's performance against industry peers, high-performing organizations, and global standards. Furthermore, by highlighting excellent performance across various SABIC sites, SBUs, functions, and affiliates, the survey allows for the sharing of best practices across the company. More than 89% of SABIC's employees participated in the 2013 survey, which is a 13% improvement in the participation rate from the 2010 survey, indicating growing trust in the process. Sustainability was for the first time included as a focus area of the survey and ranked second in the aspects of the business that employees were engaged by, reflecting its emerging value in SABIC company culture. Over 70% of the respondents felt positive about the statement that "SABIC is taking action to protect the environment." This result was 16 points above the global norm according to the survey benchmark. Further, over 60% of the participating employees agreed with the statement that they are proud of their company engaging in corporate citizenship and stewardship, both 11 points above the industry norm and global norm. It was exciting to see that so many SABIC employees assigned such importance to sustainability as a strategic emphasis for the company. Action plans will now be drawn up in reaction to the survey results, with focus groups making activity proposals to SABIC leadership and the outcomes being tracked. The action plans and outcomes will be shared across the company, ensuring openness and transparency and encouraging mutual learning and sharing of best practices. According to the assessment by the top employers institute, SABIC garnered excellent scores across several employment practices.

SABIC encourage their employees by Employee Volunteer Programmes (EPVs), whereby employees are encouraged to get involved in local non-profit or charity programmes, often during working hours, are win-win initiatives. Not only do they make a real impact on the local community as well as giving the company a personal presence in the community and promoting the company's corporate image, but they also promote valuable soft skills in employees such as leadership, team building, problem solving, mentoring and communication, often at far less cost than traditional leadership training programmes. In addition, corporate volunteering engenders a sense of pride and wellbeing in the employee, promoting engagement, reducing staff turnover and attracting new recruits.

## 10- The relationship between Strategic HRM and Organizational performance in SABIC company .

Olu Ojo , (2011) Organizational Performance and Strategic Human Resource Management Within the field of Strategic Human Resource practice, Dyer and Reeves (1995), in their review of research on the efficacy of "bundling" Human Resource practices, proposed four possible types of measurement for organizational performance: 1) Human Resource outcomes (turnover, absenteeism, job satisfaction), 2) organizational outcomes (productivity, quality, service), 3) financial accounting outcomes (ROA, profitability), and 4) capital market outcomes, (stock price, growth, returns). They proposed that Human Resource strategies were most likely to directly impact human resource outcomes, followed by organizational, financial, and capital market outcomes. This stemmed both from the facts that Human Resource strategies are primarily designed to impact Human Resource outcomes, and that the increasing complexity of factors which influence higher level outcomes would diminish the relative contribution of Human Resource factors to those outcomes.

In this part, the researcher will highlight to proposed four possible types of measurement for organizational performance in SABIC.

### 1) Human Resource outcomes (turnover, absenteeism, job satisfaction)

SABIC already recognizes the importance of employees, through their volunteer activities around the globe, acting as ambassadors in their communities. The company encourages staff in each of its business regions to participate in SABIC-sponsored events, opportunities to volunteer during specified work hours and incentives for employees to do community service on their own time – reflecting the company's "culture of giving."

**SABIC report 2007, Issue 83 :** In order to maximize staff retention, SABIC recently conducted research that showed that providing employees with a challenging and rewarding work environment will attract the greatest people in the world and the best talent to the business .SABIC company will be able to continue to provide that sort of experience for its employees, keeping .them motivated and retaining the top talent. SABIC focus on most successful issues to enhance its performance (SABIC report 2007).

Saudi Gazette February ( 2014) over the past 10 years, the SABIC employee count has doubled to 40,000 employees located around the world, creating various challenges in terms of not only the company's recruitment

strategy and strategic workforce planning, but also the leadership skills required which reflect that SABIC focus on employees satisfaction.

**SABIC focus on Most Successful Issues to enhance its performance  
(SABIC report 2007)**



source : SABIC Report, 2007 ,magazine Issue 83 , SABIC website, [www.sabic.com](http://www.sabic.com).

**Researcher Comments** : By reviewing formal 2007 report , SABIC committed to keep and satisfy their employee in order to minimize turnover, absenteeism and increase job satisfaction by providing comparative compensations for their performance.

**2) organizational outcomes (productivity, quality, service)**

SABIC has used advanced technologies to increase productivity and efficiency in the manufacturing plants and product technology development enables better solutions through design, process and application development. This helps their customers to realize their own sustainability ambitions. Through actions to improve supply chain processes, SABIC has optimized networks and logistics to bring products to market as efficiently as possible.

SABIC has established a reputation for quality, offering clearly superior products and services to its customers. Ever since its petrochemical plants began coming on-stream in 1983, its commitment to quality has been growing in parallel to its expanding operations.

SABIC's commitment to quality is evident from its Total Quality Management (TQM) program. All SABIC manufacturing affiliates have initiated TQM programs and have set global standards to qualify for International Standard ISO 9001 certification.

SABIC has 18 world-class manufacturing plants in Saudi Arabia producing a wide range of primary industrial products – chemicals, fertilizers, plastics, metals and industrial gases. SABIC's affiliates are either subsidiaries, joint ventures or associated companies. Its joint venture partners include such global companies as Mitsubishi, Shell and Exxon Mobil.

**productivity.** SABIC has made, and continues to make, strong investments in supply chain, distribution and manufacturing efficiency and sustainability. The company's global reach means it has access to global markets and global best practices; SABIC is actively engaged with global trade (SABIC magazine 2011)

**SABIC think for new strategy to enhance its performance**

To deliver its global IT strategy, SABIC has restructured its IT organization into four focus areas: Services, Transform, centre of Excellence (COE), and Planning & Control (P&C). With regional Services teams in the Middle East & Africa, the Americas, Asia and Europe, Services delivers reliable IT services to the users, but also acts as the first point of contact for the business. Through IT-business partnerships, Services seeks to align SABIC's IT platform with its business needs. (SABIC report 2011).

### Strategic results from global IT



### 3) financial accounting outcomes (ROA, profitability)

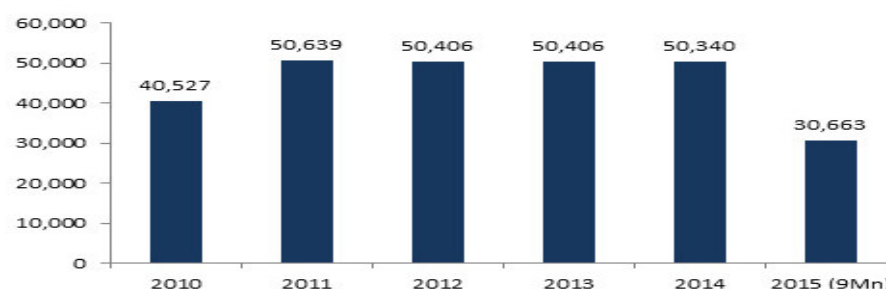
The return on assets (ROA) shows the percentage of how profitable a company's assets are in generating revenue.

ROA can be computed as:

$$ROA = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

The total revenue of SABIC has increased after 2009 as the global markets recovered post the 2008 recession. According to the Global Platts Petrochemical Index, petrochemical prices declined by 30% in 2014 compared to 2013 price levels. The primary reason for the drop in sales in 2014 is the decline in oil prices in the last quarter of 2014, resulting in drop in the petrochemical product prices. Revenues have continued to decline during the 1st 9 months of 2015, dropping by 20% You (2014 9M earnings \$ 38,788 Mn). Drop in revenues was attributed to the drop in selling prices of the petrochemical and other products that the company sells. While the company has not officially stated a reason for the decline in the prices of its products, it can largely be attributed to the falling oil prices

**Total Revenues 2010-15 (USD Mn)**



Source: Reuters

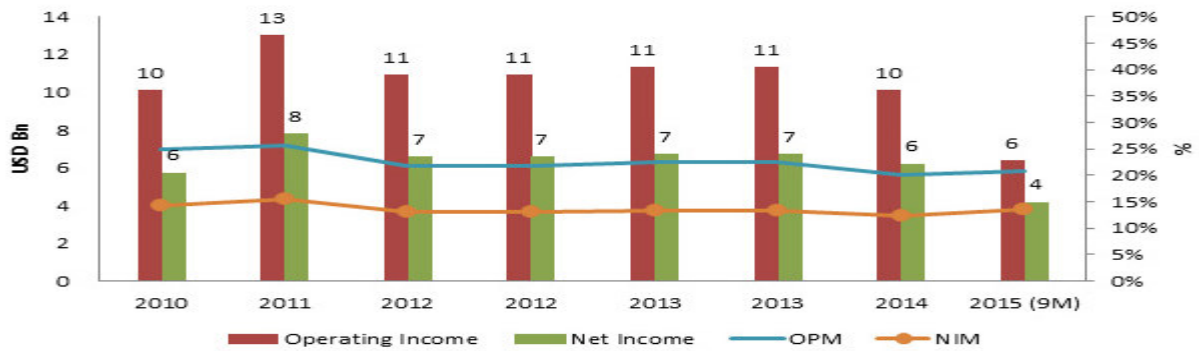
source : *Marmore MENA Intelligence*

The petrochemical and fertilizer segment contributed over 86% to SABIC's revenue in 2014. The next big segment in terms of revenue is the minerals/metals segment, generating over 6% of revenue. Throughout 2010 to 2014 petrochemical segment has generated revenue in excess of 80% of the company's total revenue. SABIC is focused to be the leading player in this segment of business and almost 70% of the plant capacity was utilized to manufacture products which are part of the petrochemical business.

The operating profit margin of SABIC has witnessed a decline since 2011. Following record revenues

in 2011 the operating profit margin reached 26% while in the subsequent years they were hovering between 22%-23% before falling to 20% in 2014. The Net profit margin has also followed a similar pattern. While the revenues for the 1st 9 months of 2015 fell by over 20% the net profit margin fared slightly better compared to the same period last year. Net profit for 2015 stands at 13.66% as against 13.11% during 2014 while the operating profit declined from 21.53% to 20.89% during the same period. The improvement in net profit margin could be attributed to the cost cutting that the company has managed during 2015.

### Operating profit and Net profit 2010-15

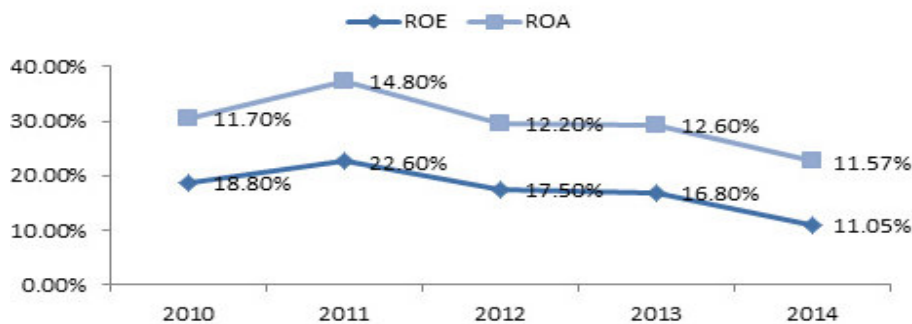


source : *Marmore MENA Intelligence*

### ROE (Return on Equity) – ROA (Return on Assets) – In line with Revenues

According to Marmore’s company report on SABIC, both ROE and ROA trends have been consistent with SABIC’s revenue. The ROE and ROA reached its peak in 2011 at 14.80% and 22.60%, respectively, before declining in 2012. Continued slow global economic growth in 2014, malaise in China (one the key markets for SABIC) and decline in product prices due to lower oil prices has reflected in the revenues and earnings of 2014. However, an increase in equity and a marginal increase in assets value in 2014 resulted in lower ROE and ROA relative to 2013. Though the likelihood of outperforming in the near to medium term are high due to the cyclical recovery and potential for structural recovery in its European operations and new investments in the pipeline, the lower oil prices resulting in lower products prices can be a major hindrance to the recovery.

### ROE & ROA, (2010-14)

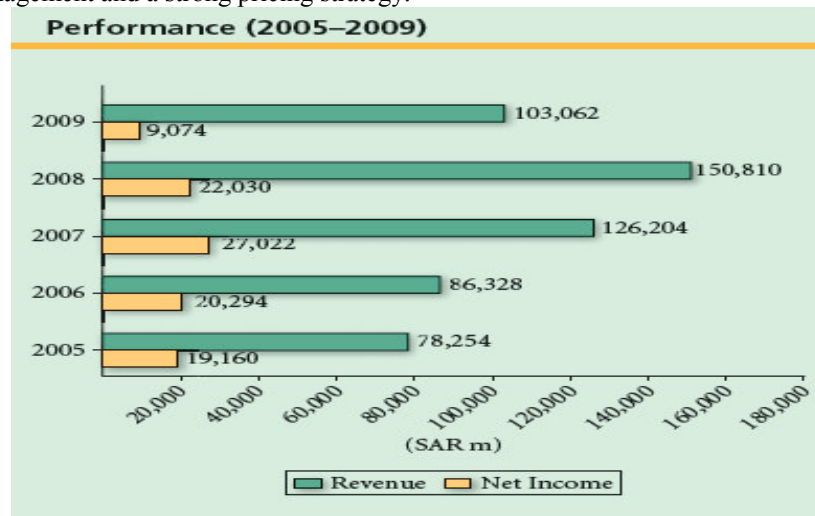


source : *Marmore MENA Intelligence*

### Financial Position of the SABIC Company based on Global Data

Up to 2008, SABIC achieved commendable results through the commitment and capabilities of its people around the world. In 2009, SABIC, like many competitors, experienced a decline in operations and profitability due to the global financial crisis. Revenues and profits declined sharply. However, the petrochemical industry is upbeat about medium term improvement in demand and financial results. SABIC’s historical net profit was higher than global petrochemical industry profitability. The company’s operating margin reduced from 28.71 percent in the year 2005 to 18.25 percent in 2009. This might be because of the economic slowdown and the low margin of the

industry. This 18.25 percent in 2009 was still above the Chemicals – Diversified sector average of 7.81 percent which represents top companies within the specified sector, as per publications from Global Data ( [www.globalmarketsandcompanies.com](http://www.globalmarketsandcompanies.com) ). This indicates that the company is in a better position in terms of efficient cost management and a strong pricing strategy.

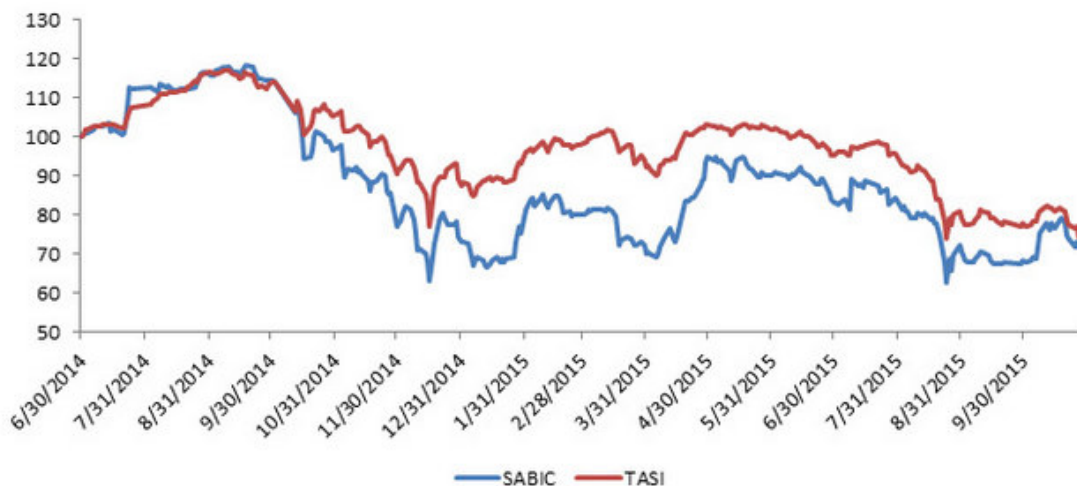


Source :Global Data [www.globalmarketsandcompanies.com](http://www.globalmarketsandcompanies.com)

**4) capital market outcomes, (stock price, growth, returns).**

SABIC’s share performance has seen wide swings this year. While the share price continued to increase during the 1st half of the year it started to decline in the 2nd half of the year largely due to the negative impact that the Chinese stock market had on global stock markets. SABIC reached its peak of 108.75 on 04th May 2015 before falling to a low of 72 on 24th Aug 2015. It ended at 82.25 on Oct 28th 2015. The Saudi Stock index’s performance has been even more underwhelming; TASI reached its peak of 9,834.39 on 30th April 2015 before falling to 7,024.6 on 24th August 2015. TASI ended at 7,118.42 on Oct 28th 2015. Year to date returns of SABIC and TASI has been negative at -2.1% and -14.6% respectively.

**SABIC Share Performance (YTD – 2015) - Rebased**



Source: Reuters

source : *Marmore MENA Intelligence*

**Researcher comments and views**

Reference to Olu Ojo , (2011) Organizational Performance and Strategic Human Resource Management Within the field of Strategic Human Resource practice, Dyer and Reeves (1995), in their review of research on the

efficacy of “bundling” Human Resource practices, proposed four possible types of measurement for organizational performance: 1) Human Resource outcomes (turnover, absenteeism, job satisfaction), 2) organizational outcomes (productivity, quality, service), 3) financial accounting outcomes (ROA, profitability), and 4) capital market outcomes, (stock price, growth, returns).

**Based on the descriptive study , Research has determine some important issues on SABIC performance**

1- SABIC as a worldwide company like many competitors, experienced a decline in operations and profitability due to the global financial crisis. Revenues and profits declined sharply. However, the petrochemical industry is upbeat about medium term improvement in demand and financial results.

2- SABIC has strong investments in supply chain, distribution and manufacturing efficiency and sustainability. The company’s global reach means it has access to global markets and global best practices; SABIC is actively engaged with global trade.

3- SABIC committed to keep and satisfy their employee in order to minimize turnover, absenteeism and increase job satisfaction by providing comparative compensations for their performance.

4- SABIC's commitment to quality is evident from its Total Quality Management (TQM) program. All SABIC manufacturing affiliates have initiated TQM programs and have set global standards to qualify for International Standard ISO 9001 certification.

5-SABIC company will be able to continue to provide that sort of experience for its employees, keeping them motivated and retaining the top talent. SABIC focus on most successful issues to enhance its performance

6- SABIC already recognizes the importance of employees, through their volunteer activities around the globe, acting as ambassadors in their communities. The company encourages staff in each of its business regions to participate in SABIC-sponsored events, opportunities to volunteer during specified work hours and incentives for employees to do community service on their own time – reflecting the company’s “culture of giving.”

7- In September 2013, SABIC conducted its second global employee survey. It is repeated every three years and is a key opportunity to encourage employees to share their views and perspectives on areas that matter most to them and to SABIC company

8- SABIC emphasis on retaining talented and innovative employees through comprehensive benefits choices, competitive pay, and career development

9-SABIC has created a Key performance indicators (KPIs) to monitor their employees performance toward assigned goals ,however SABIC applied the new annual bonus system, called Employee Performance and Incentive Compensation EPIC, was starting in 2006. SABIC staff will be given a significant portion of their compensation based on their performance.

10- SABIC has identified four priorities for achieving its 2025 vision: focusing on the culture of the organization and the culture of its leadership to drive the changes needed; ensuring that each and every member of the staff has the necessary knowledge and skills to carry out that job to the best of their abilities; recognizing that the company is not just recruiting for its needs of today, but anticipating the needs of tomorrow; and to make sure that the HR team is fully equipped to meet its goals.

**Conclusion**

Strategic human resource management is designed to help companies best meet the needs of their employees while promoting company goals. Human resource management deals with any aspects of a business that affects employees, such as hiring and firing, pay, benefits, training, and administration. Human resources may also provide work incentives, safety procedure information, and sick or vacation days.

This study is descriptive based on the collection and analysis of results of studies, reports, periodicals and books related to the topic of study in order to investigate the relationships between Strategic Human Resource Management on Organizational Performance on Saudi Arabia Basic Industries Corporation (SABIC)

The Purpose of this Study is to demonstrate the meaning of strategic human resource, the meaning of organizational performance ,advanced studies related to the topic of study , the relationship between strategic human resource management on organizational performance Saudi Arabia Basic Industries Corporation (SABIC) and How (SABIC) company enhance organizational performance through its HR strategy.

The researcher has adapt four possible types of measurement for organizational performance in SABIC 1) Human Resource outcomes (turnover, absenteeism, job satisfaction), 2) organizational outcomes (productivity, quality, service), 3) financial accounting outcomes (ROA, profitability), and 4) capital market outcomes, (stock price, growth, returns).

SABIC has identified four priorities for achieving its 2025 vision: focusing on the culture of the organization and the culture of its leadership to drive the changes needed; ensuring that each and every member of the staff has the necessary knowledge and skills to carry out that job to the best of their abilities; recognizing that the company is not just recruiting for its needs of today, but anticipating the needs of tomorrow; and to make sure that the HR team is fully equipped to meet its goals.

Based on descriptive study, the researcher has analyzed SABIC performance. The finding of this



study that (SABIC) has overall good performance due to Strategic human resource management .However continuo improvement is required specially decline in oil prices in the last quarter of 2014 and global financial crisis.

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