

Culture and Business in Saudi Arabia

Saudi Arabia has not been the easiest place in the world for Western enterprises to do business. On the one hand, the oil rich kingdom offers many opportunities for enterprising businesses. Western construction companies have long played a role in building infrastructure in the kingdom. Western brands such as Coca-Cola, Nike, and McDonald's have a significant presence. Western aerospace companies such as Boeing and Lockheed have sold a significant number of aircraft to Saudi Arabia over the years. The Saudi market is one of the larger in the Middle East. Since the early 2000s, the government has signaled that it is more open to foreign investment in certain sectors of the economy.

On the other hand, Saudi Arabia is a historically conservative country where a large segment of the population desires to pre-serve the religious values and ancient traditions of the region. This can and does spill over into the business sector. The culture of the country has been shaped by a combination of Islam and Bedouin traditions. In 1744, when desert nomads populated the Arabian Peninsula, the oasis-dwelling al Saud clan made a pact with Ibo Abd-al-Wahhab. Wahhab was an influential Islamic scholar who sought to purify Islam and return it to its traditional roots through strict adherence to what he believed were the original principles of Islam, as expressed in the Koran. In exchange for protecting Wahhab and following his teachings, Wahhab offered his backing to the ambitious al Saud family. One hundred and forty years later, the family united the nomadic desert tribes under their rule, and in 1922 the Saudi Kingdom was born.

Today, the strict Wahhab sect of Islam still has a profound influence on Saudi culture, something that is very visible to foreign travelers. For example, stores and restaurants close for daily prayer times, and many restaurants, including Western ones such as McDonald's, have separate dining areas for men and women. Women in Saudi Arabia were not allowed to drive a car until 2018, and many still do not appear outdoors with hair, wrists, or ankles exposed—something that Western companies need to keep in mind when doing business in the country or with Saudis elsewhere. Indeed, until recently women traveling on their own have generally needed government minders or permission slips.

Bedouin traditions have been just as strong as Islamic values in shaping Saudi culture. Values that were important to those proud nomads and enabled them to survive in their harsh desert landscape, are still found in modern Saudi society. They include loyalty, status, an emphasis on interpersonal relationships, the idea of approximate rather than precise time, and an aversion to any behavior that might seem menial or servile (including manual labor).

Reflecting Bedouin traditions, Saudis will often conduct business only after trust has been well established—a process that might require (by Western standards) a large number of face-to-face meetings. Saudis may resent being rushed into a business decision, preferring to let discussions proceed in a more relaxed fashion—something that Westerners with their attachment to precise rather than approximate time might find taxing. Business meetings may be long because many Saudis maintain an "open office" and will interrupt a meeting to conduct other business, which can be traced back to the Bedouin tradition where all tribal members have a right to visit and petition their leaders without an appointment. Given the cultural importance attached to status, Saudi executives will not react well if a foreign company sends a junior executive to transact business.

Loyalty to family and friends is a powerful force, and job security and advancement may be based on family and friendship ties, rather than, or in addition to, demonstrated technical or managerial competence. Westerners might construe this negatively as nepotism. but it reflects a nomadic culture where trust in family and tribe has been placed above all else. Saudi executives will also consult with family and friends before making a business decision, and they may place more weight on their opinions than that of experts whom they do not know as well.

The Bedouin aversion to menial work has produced a chronic labor problem in the kingdom, and foreign companies will quickly discover that it is difficult to find Saudi nationals who will undertake manual labor or basic service work. Consequently, some 6 million foreign nationals reside in Saudi Arabia. These expatriates, who are primarily from other Muslim nations. such as Pak-istan and Indonesia, undertake many of the menial occupations that Saudis disdain. Although oil revenues have made this social stratification possible, the Saudi government sees it as a potential long-term problem-almost 90 percent of all private-sector jobs in Saudi Arabia are filled by foreign nationals-and it has launched a program of "Saudiization." The aim is to change cultural values toward work perceived as menial, and by doing so, to help build a modern economy. So far success had been halting at best.

Saudi society is starting to change in other important ways. The rights of Saudi women are being expanded. In 1964, Saudi girls were not allowed to go to school; today more than half of university students in the kingdom are women. In 2004, Saudi women were granted the right to hold commercial business licenses, a significant advance considering the women held some \$25 billion in deposits in Saudi banks and had little opportunity to use them. In 2017 Crown Prince Mohammed bin Salman came to power. Just 31 at the time, Mohammed bin Salman has launched some significant cultural changes in the country as he tries to push Saudi Arabia toward the modern world. He has restricted the power of the religious police who enforced traditional Islamic rules. In 2018 he allowed women to drive cars. and in 2019 he relaxed the male guardianship rules that made it difficult for women to travel independently. Women are now starting to appear in public without the traditional floor-length abayas, and Western entertainment from cinemas to music performers is starting to make inroads into the country (there were no cinemas in the country until 2018).

Case Discussion Questions

1. What forces shaped modern Saudi culture? How similar or different are these forces from those that shaped the culture of Western nations?
2. What kinds of misunderstand are likely to arise between an American company and a Saudi enterprise, neither of which has experience dealing with the other?
3. If you were in a position to advise a Western company that was considering doing business in Saudi Arabia for the first time, what would your advice be?
4. Since 2017, Crown Prince Mohammed bin Salman, the effective ruler of the country, has introduced a series of changes aiming at modernizing the country. These included relaxing many of the traditional norms based on conservative Islam. Why do you think he is doing this? What are the risks here for his government? Are there risks for Western businesses operating in the country?
doing it to open KSA for international businesses; loose legitimacy; may be criticized because standards are not up to western demands, selling strategies may not work as well

1. beduin and wahab islamic traditions; as well as tribal/nomadic aspects and conservative country
--> more emphasis on trust/loyalty/family

2. saudis: will conduct business after trust established; may consult family over business decisions
usa : may not understand the saudi arabian culture (close for prayer times, etc)

3. culture's very different to US culture, especially the difference in aspects of time; status is important (dont send a junior executive); do not sit on a "high horse"; accept women's standing in culture/importance of religion; they like haggling