A STUDY OF THE CONTEMPORARY ISSUES OF HUMAN RESOURCE MANAGEMENT IN THE RETAIL SECTOR OF SAUDI ARABIA

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ABSTRACT

The present study is an attempt to find out the contemporary issues of Human Resource Management in the retail sector of Saudi Arabia. The Kingdom of Saudi Arabia has a robust economy and a stable market and without doubt oil is the backbone of the Saudi economy but in addition to that the kingdom has invested tremendous effort in diversifying its economy to include industry, trade, service sector’s especially the retail sector to boost its economy. In this study, contemporary issues of human resource management in the retail sector of Saudi Arabia, the researcher shall critically examine contemporary developments in human resource, like new challenges in the recruitment and selection of human resource, developing human resource skills and capabilities in the retail sector. The retail sector is set for extended growth due to the higher domestic spending power. The study concludes that because of the growth of retail sector, human resource management has also become more eminent in relation to other managerial initiatives. Although human resource management activities in the retail sector in the Kingdom of Saudi Arabia is on the right track but at the same time due the dynamics of the sector, some of the activities of human resource management like recruitment and training & development have become the contemporary issue in human resource management of Saudi Arabia. The recruitment and training & development of the Saudi professionals is important, so that the young Saudi graduates from Saudi Universities find suitable jobs in the retail sector and are able to deliver. The study further recommends that the need of the hour is that the retail sector in partnership with the education sector of Saudi Arabia design industry specific programs for the young Saudi graduates.

Keywords: human resource management, retail, Saudi Arabia, training and development, contemporary issues.
Introduction

The retail sector appears set for an extended period of solid growth, thanks to Saudi Arabia’s expanding economy and higher domestic spending power. The industry, however, may have to act quickly to redress a few challenges, such as staffing shortages and the need to broaden the appeal of some of the Kingdom’s large shopping complexes. (Economic Update, Oxfordbusiness group)

Sales are projected to rise from an estimated $73bn in 2011 to around $112bn by 2015, a recent report by market analysis and research firm Business Monitor International (BMI) said, and Euromonitor forecasts that the sector will reach a value of SR276bn ($73.6bn) by 2014. In total, the retail sector represents 17% of Saudi Arabia’s GDP, making it one of the most-significant players in the local economy. (Economic Update, Oxfordbusiness group)

There is a growing body of research showing that the methods used by an organization to manage its human resources can have a substantial impact on many organizationally relevant outcomes (Delery, 1998). Researchers and practitioners have long argued the case for human resource (HR) as a source of sustainable competitive advantages (Becker, Huselid, & Ulrich, 2001; Benson, Young, & Lawler III, 2006; Cascio, 2003).

The manpower in Saudi Arabia is distributed amongst three professional sectors, they are: Services, which is has the highest rate with 28.69%, then the technical and scientific with a rate of 27.98%, and finally, the managerial occupations, which is has the lowest rate with only 3.56%. And qualitatively, women workforces are focused in the technical and scientific professions. As for the non-Saudi manpower, it’s focused in the production and construction sectors with 41.07%, then the managerial occupations with a rate of 1.14%, which is the lowest (Saudi Economy, Ministry of Commerce and Industries, Saudi Arabia).

The traditional ways of competitive advantage have to be supplemented with organizational capability i.e. the firm’s ability to manage people (Ulrich and Lake 1990). Organizational capability relates to hiring and retaining competent employees and developing competencies through effective human resource management practices (Ulrich and Lake 1991).

In reviewing measures of economic performance in Saudi Arabia, the budget of SR690 billion ($184bn) is expected to create a large number of jobs in the kingdom this year; indeed, recruitment experts are predicting that the country will add more jobs than any other nation in the region (Economic Growth, Alarabia).

Thus, the roles of human resource (HR) department in numerous organizations are reputable regardless of the business scale. Every organization requires a proficient human resource department in order to acquire viable competitive advantages upon its contenders and achieve its business strategies (Martin, 2008). This provision is applicable in the retail sectors with the intent of enhancing market divide, competency, productivity, and relevancy of employees. It is vital to establish a proficient human resource unit in order to realize corporate goals. The Saudi Arabian retail sector enjoys rich human resource provisions despite business challenges engulfing the industry. Prime retail sub-sectors in Saudi Arabia incorporate massive grocery businesses, automobile dealers, pharmaceuticals dispensers, computers outlets, and prominent electronic shops among others (Shoult, 2006). Evidently, Saudi Arabian retail entities have adopted varied human resource practices to aid their dexterity in the market as they strive for a wider market divide and nationwide presence. Human resource processes are vital in obtaining and maintaining competent employees following the increasing needs for viable human capitals in the country. The nature and implementation of human resource management practices is critical in this context as it establishes the fate of the concerned organization. Consequently, the Saudi’s retail industry
has adopted and implemented numerous human resource practices capable of propelling the industry competitively (Dransfield, 2000).

**Conceptual Framework of the Study**

The researcher finalized the study by undertaking the following framework of the study. The study analysis and presents the contemporary issues of human resource management in the Kingdom of Saudi Arabia. The study shows that employee of a retail company plays a very important role in any organization. And thus the study attempts to present the contemporary issues importance to Saudi Arabia vis-à-vis human resource in the retail sector.

**Methodology**

For this study the researcher collected information from various published sources such as annual reports, relevant books, peer journals, and also current electronic publications (valid websites). Thus this research is primarily based on secondary data and involves an extensive literature review on the area of concern to provide an overview of the human resource activites of the retail companies in Saudi Arabia and the viable human resource practices experienced in the sector. Thus the study presents the current status of human resource management and highlights the contemporary issues in human resource management in the retail sector of Saudi Arabia.

The key issues examined were:

- What is the current status of human resource management in the retail sector of Saudi Arabia.
- SWOT analysis of the human resource activities of the retail sector of Saudi Arabia.
- What are the contemporary issues of human resource management in the retail sector of Saudi Arabia.

**Review of Literature**

The annual volume of the retail sector in the Kingdom is SR 200 billion with 242,000 licensed retail shops and commercial centers according to a study. With a market share of SR 54 billion, food outlets dominate the sector. Between 70 and 80 percent of the workers in the sector are expatriates. (Saudization of retail sector planned, Arabnews)

Monster.com data shows that Saudi Arabia and the UAE have enjoyed the largest annual job growth rate among GCC countries. For the one-year period ended October, online job opportunities expanded in six of seven of the countries surveyed. Of this, Saudi Arabia (up 49 per cent) led all GCC countries. The UAE (up 7 per cent) led all sectors in monthly growth. Qatar (up 22 per cent) also enjoyed constant monthly recruitment activity (Economic Growth, Alarabia).

Human Resource Management is directed mainly at management needs for human resources (not necessarily employees) to be provided and deployed (Torrington and Hall 2005). There is greater emphasis on planning, monitoring and control, rather than of
problem-solving and mediation. It is totally identified with management interest, being a general management activity and is relatively distant from the workforce as a whole (Michael Poole 2003).

According to results of the manpower research at its second round conducted by the Department of Public Statistics and Information until the month of Sha’aban 1430 AH, (August 2009) the workforce in Saudi Arabia have reached about 9 million workers, which is 49.9% of the total population (15 years and older) of whom 7 Million male members. The number of them working in the Kingdom has reached 8 million people, which represents 94.6% of the total workforce, of whom 86.8% male. The results of the research indicated that more than two thirds of the Saudi workforce is concentrated among individuals aged between 25-44 years old which forms 67.5%, with 65.6% male and 77% female. The results showed that the rate of education among the Saudi workforce amounted 96.5%, 96.1% of it is amongst males, and 98.5% amongst females. Also, the statistics indicates that Saudi society still needs many investment projects capable of recruiting higher degrees graduates. (Saudi Economy, Ministry of Commerce and Industries, Saudi Arabia).

Current status of Human Resource Management in Saudi Arabia

The current status of human resource management in Saudi Arabia is discussed and analyzed under the following headings.


II) Current status of Recruitment in Saudi Arabia

III) Current status of Selection in Saudi Arabia

IV) Current status of training and development in Saudi Arabia

V) Current status of Compensation in Saudi Arabia

VI) Current status of Performance Appraisal in Saudi Arabia


The Ministry of Labor is exploring the possibility of Saudizing the vast retail sector, especially commercial centers and malls as part of its efforts to find more areas to employ Saudi youths including women. The annual volume of the retail sector in the Kingdom is SR 200 billion with 242,000 licensed retail shops and commercial centers according to a study. With a market share of SR 54 billion, food outlets dominate the sector. Between 70 and 80 percent of the workers in the sector are expatriates. (Saudization of retail sector planned, arabnews)

In the words of Stainer, “Manpower planning is the strategy for the acquisition, utilization, improvement and preservation of an organization’s human resources.”(G.Stainer, 1971). Planning is a vital aspect in the human resource operations. Human resource management uses planning to scrutinize the present as it focuses on the future (Budhwar & Mellahi, 2006). The changing market demands require frequent change of strategies in the human resource sectors. This move has provided the Saudi Arabian retail companies with remarkable flow of human capital globally (Bernardin, 2002). Retail human resource managers have to consider the current and future concerns of the human resource unit to
avoid assumptions and mismatch of interests (Sharma, 2009). This helps human resource to plan for the requisite human wealth for the varying seasons, which is crucial when one considers the aspects of claims and supply hence offering the required workforce. Concerned human resource management ought to understand the organization’s revenue prospects and plan in accordingly (Sims, 2002). It is notable that Saudi Arabia retail companies have endured their rapid expansion, and varied market demands through appropriate planning in the human resource context. Retail industry possesses fluctuating demands for its products hence appropriate prediction of the market trends is important (Ali, 2005).

II) Current status of Recruitment in Saudi Arabia

Non-Saudi workers comprise 79.1% of the total number of non-Saudis residents aged 15 and above, and they represent 99.7% of the total non-Saudi workforce, and the education rate among the non-Saudis workforce is 92.4%. The cost of unskilled labor in the Kingdom of Saudi Arabia about 1.17 dollars per hour, compared to 2.63 dollars per hour in Mexico and 22.60 dollars per hour in France. (Saudi Economy, Ministry of Commerce and Industries, Saudi Arabia). According to Alarabia, Saudi women make up 14.4 percent of the workforce – triple the number from 1992 – according to a March 2010 study by Booz & Company, and female unemployment in the country if four times that of male unemployment. (Economic Growth, Alarabia). Recruiting competent personnel who understand the Saudi Arabia market in the realms of shopping trends, cultural influences, seasonal changes, and demographic issues is critical in the human resource context (Kleynhans, 2006). Recruitment is a process of attracting a pool of high quality applicants so as to select the best among them (Kulik 2004). There are steps in human resource planning and recruitment depending on the nature of the entity. In practice, the human resource in the retail companies has to consider appropriate planning and recruitment strategies in order to stay relevant in the Saudi Arabian limelight (Walsh, 2009). Saudi Arabia is stepping up efforts to lower unemployment among its citizens by imposing a fee on private sector firms that employ more foreigners than Saudis. Ministry of Labor officials said in September(2012) that it had created 380,000 new jobs in 10 months through that system. (Firms with more expatriates than Saudis to pay fees, arabnews)

According to the Nitaqat Programme, For example, if a company is engaged in wholesale and retail trade activity, the Saudization percentages that determine under which category the company is classified will be contingent on the number of people it employs, as follows: (Saudization update 2011, Aljadaan & partners).

Table 1

III) Current status of Selection in Saudi Arabia

The Ministry of Labor is exploring the possibility of Saudizing the vast retail sector, especially commercial centers and malls as part of its efforts to find more areas to employ Saudi youths including women (Saudization of retail sector planned, arabnews) There are numerous practices played by human resource’s at retail levels in the Saudi Arabian context. Numerous entities have strived to create a viable selection process where the involved firms provide an equal opportunity milieu for all prospective employees (Van den Bossche, Segers & Jansen, 2010). Retail companies ranging from oil dealers to grocers have enacted viable selection practices despite some challenges in the workforce sector. Some companies undertake employee selection through consultants mandated to embrace such services. Such companies might use various criteria including advertisement of the concerned vacancies, separating applicants, aptitude tests, interviews, and the final selection for the organization’s management to verify (Nankervis, Compton & Morrissey, 2009).
IV) Current status of training and development in Saudi Arabia

If youth means the potential underlying strength, then the Kingdom of Saudi Arabia has many of which. The demographic fact of the well educated and trained young people, along with the government's focus on human resources development would provide distinct possibilities for foreign investors. The joint ventures with the Saudi government and the private sector has helped create and prepare a generation of managers and specialized technicians, and the situation today presents tremendous opportunities in the areas of training and development. There was a significant rise in the number of young Saudi graduate professionals from Saudi universities, so the government has established a Human Resources Development Fund to train Saudi youth on job skills at the same time that it allows companies to recruit from abroad if necessary. (Saudi Economy, Ministry of Commerce and Industries, Saudi Arabia).

Human Resources Development is not a defined object, but a series of organized processes, “with a specific learning objective” (Nadler, 1984). The Human Resources Development Fund (HRDF) will subsidize the salaries for the Saudi workers in such shops and pay transportation allowances for women workers besides opening crèches to take care of their babies while working. (Saudization of retail sector planned, arabnews)

The Saudi government spent an average of SR3.6 million for each Saudi citizen employed in the private sector over the past 10 years, a recent study revealed.(Saudi Government, Arabnews) Training and Development is a continuous process within the retail industry following the constant emergence of the new business trends and fresh commodities in the market, which might require personnel competency in handling and promoting them (Cartwright, 2003). Most retail companies in Saudi Arabia have embraced these practices. It is crucial to prepare trainees, explain the rationale of the training and development, incorporate practical demonstrations, and monitor the progress. Practices that ensure effective training and development (TD) are similarly evident in the Saudi Arabian context. The retail industry in Saudi Arabia has strived to enact viable practices to ensure that the training and development efforts are successful hence establishing competitive employees within the organization (Randhawa, 2007). Another viable practice is the consideration of the learning styles and personalities of the target group for appropriate planning of the training processes (Talwar, 2006). Setting clear objectives, knowing the number of trainees, formulating appropriate training and development format, choosing the right venue, and effective training and development appraisal strategies are other viable practices (Ekerman, 2006).

V) Current status of Compensation in Saudi Arabia

It is worth noting that there is a significant gap between the average salary of men and women. While men are paid an average salary of SR3,406 in downstream industries, women received only SR1,707. Similarly, men’s average salary in the finance and real estate sectors was at SR7,359, while female employees received a lower average of SR6,100 per month.(Saudi Government, Arabnews)

Pawan S. Budhwar and Yaw A. Debrah compare the basis for compensation for Saudis and non Saudis where the authors says that the basis for compensation for the non Saudis is cost incurred by the organisation. For Saudi national’s in the public sector the basis for compensation is cost and socio cultural factors( Human Resource Management in Developing Countries By Pawan S. Budhwar, Yaw A. Debrah). Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich and Newman 1999). Organizations use attractive
compensation schemes to attract and retain potential employees. Retail companies in Saudi Arabia similarly practice this trend to ensure their competitiveness within the industry. (Pynes, 2008). It is evident that the industry employs both skilled and unskilled workers hence creating the disparities noticed in the compensation margins (Michel & Chênevert, 2008). The act of practicing equity is another crucial aspect evident among most organizations in the Saudi Arabian context despite the challenges (Wiseman, Gomez-Mejia & Fugate, 2000).

VI) Current status of Performance Appraisal in Saudi Arabia

Performance appraisal provides vital information regarding the productivity of an employee and allocation of benefits that characterize such provisions. Additionally, periodic appraisals act as the driving force for exemplary performances amid employees (Capko, 2003).

Saudi Arabian retail companies have enacted viable appraisal measures welcomed by the majority of stakeholders. Other appraisal procedures notable in the region incorporate self-assessment criteria. Concerned personnel perform their appraisals for consequent adjustments to match the company demands. This is a crucial aspect since it depicts the elements of self-responsibility and achievement of self-resolutions. Varied companies use numerical indicators to exhibit the level of performance (Storey, 2007). This incorporates the aspects of coding where some numbers depict given performance scores. It is crucial to note that varied companies use the appraisal results to allocate bonuses, decide on promotions, and increase salaries/wages. Saudi Arabia has varied companies in the retail division; thus, appraisal practices vary from one company to the next (Snake & Redman, 2010). Conducting fair performance assessments is crucial to avoid unwarranted prejudice and promote the objectivity, productivity, and responsibility of employees (Campion et al. 2011). Most retail entities have set standardized appraisal procedures that give consistent and reliable results on each employee. Some employees employ a 3600 feedback where the entire organization’s stakeholder provides their response concerning a given employee (Williams, 2011).

Conclusion

From the foregoing study the researcher confidently concludes that the human resource management activities have significantly evolved in this new age of intense global competition. The study concludes that because of the growth of retail sector, human resource management has also become more eminent in relation to other managerial initiatives. And it is obvious that the change and advancement in technology and innovation has positively affected the various activities in the retail sector of human resource management in the Kingdom of Saudi Arabia also, especially the Planning of human resource management, the concept of recruitment and its subsequent implementation, the process of selection, the compensation to the employees, the ever dynamic demand for training & development and its subsequent effect on performance appraisal of the employees. Issues and approaches that were previously unthinkable or/ and not given enough importance have become contemporary issues in human resource management, in this every changing era of global competition.

It is commendable that the companies in Saudi Arabia have been able to endure their rapid expansion, and varied market demands through appropriate planning in the human resource context. Saudization of the retail sector, which is a 200 billion SR annual volume sector, is a good step towards creating job opportunities for the unemployed and underemployed jobseekers of the Kingdom of Saudi Arabia but at the same time the following facts about the Saudi labor market should be kept in mind while taking important
decisions relating to recruitment. According Arabnews, Labor Minister Adel Fakeih said yesterday that 86 percent of jobs done by expatriates are not suitable for Saudis. Speaking to Al-Sharq daily, he said 85 percent of Saudi job seekers are women and There are about eight million expatriate workers and 86 percent of them (6 million) do menial jobs that do not suit Saudis,(Jobs not suitable for Saudis, Arabnews).

While the selection process for a job and the subsequent performance appraisal system sounds robust, both for the Saudi’s and the Non Saudi’s; And the compensation being offered to the expatriates is good but according to arabnews, Labor Minister Adel Fakeih said 68 percent of foreign workers in the Kingdom receive a monthly salary of less than SR 1,000 and 18 percent less than SR 2,000. (Jobs not suitable for Saudis, Arabnews). This applies to the ever expanding retail sector as well. In this era of cut throat competition in the retail sector, the compensation of the expatriates should be at par with the global standards. This is because the world now is a global village and job opportunities for the expatriates are being created at every nook and corner of the world. The talented human resource would not contribute and stay back in the Kingdom if the compensation is not good. For Saudi national’s in the public sector the basis for compensation is cost and socio cultural factors (Human Resource Management in Developing Countries By Pawan S. Budhwar, Yaw A. Debrah). But at the same time the researcher points out the disparity in compensation between men and women. The compensation to women should be at par with men if not more.

The public private partnership between the Saudi government and the private sector has helped to create and develop professional in the retail sector. Although the kingdom has a large population of young Saudi professionals but there is still a shortage of qualified Saudi candidates who are suitable for providing immediate and near future needs of the retail sector. The acquisition, retention and training of Saudi nationals is in the best interest of the retail sector because in doing so local customers would get a better customer service and the customer would feel more at ease. This will also help to reduce cost on training in the long run but at the same time because the acquisition and retention cost of foreign labor for the retail sector is very cheap as compared to their Saudi counter parts, training them should be one of the main focus areas for the private sector companies.

Limitations

The study is based on a study conducted on literature of human resource management with a focus on the Kingdom of Saudi Arabia, only. This study could have included other regions of the Middle East countries also. Future researchers can take up studies on human resource management by including the above mentioned limitation and also widen the area of study by including a study of other sectors also, other than retail

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References


Annexure

Table 1

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