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The American Manager in Saudi Arabia

Sharif F. Luwe

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This study was designed to investigate the managerial environment, attitude, and experience of the American employees who were involved in the American multinational corporation which operates in the Saudi Arabia. Due to the multicultural nature of this kind of global business setting many problems were generated because of cultural differences in values, belief systems, education, and economics.

DIGEST

The instrument used in the study was a survey designed by the author and arranged to secure data that would give a broad spectrum of the whole operation, in its varied and different components. The survey was distributed through the mail system to American managers in the middle management level who experienced life in Saudi environment.

Sharif F. Luwe, B.S.

After the information was collected it was summarized and analyzed. In summation the study concluded: 1) The study examined the Micro, Macro and Intermediate environments at the

A Digest Presented to the Faculty of the Graduate School of the Lindenwood Colleges in Partial Fulfillment of the Requirements for the Degree of Master of Science

1984

from the language barriers; The existence of preconceived negative attitudes and ideas concerning the "other" culture; The difference between the Islamic culture and the Western culture regarding their ideas concerning laws and regulations which hamper working conditions. These problems and others generated a significant degree of difficulty in the social interaction among the various cultures and made it seem almost impossible for total adjustment of foreign businessmen in the Saudi environment.

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The instrument used in the study was a survey designed by the author and arranged to secure data that would give a broad spectrum of the whole operation, in its varied and different components. The survey was distributed through the mail system to American managers in the middle management level who experienced life in Saudi environment.

After the information was collected it was summarized and analyzed. In summation the study concluded: 1) The study examined the Micro, Macro and Intermediate environments at the American multinational corporation in the Saudi culture. 2) The analysis of the survey proved the existence of the following problems: complexity of interpersonal relationships resulting from the language barrier; The existence of preconceived negative attitudes and ideas concerning the "other" culture; The difference between the Islamic culture and the Western culture regarding their ideas concerning laws and regulations which hamper working conditions. These problems and others generated a significant degree of difficulty in the social interaction among the various cultures and made it seem almost impossible for total adjustment of foreign businessmen in the Saudi environment.

As a result of this information, solutions to the existing problems were furnished in the recommendation section. Further study should be done by contacting Saudi managers to obtain their point of view.

COMMITTEE IN CHARGE OF CANDIDACY

THE AMERICAN MANAGER IN SAUDI ARABIA

Dr. James Risk, Chairperson and Advisor

Adjunct Professor Bernard Heinrich

Dr. Arthur Prell, Chairperson, Department of
Business Administration

Sharif F. Luwe, B.S.

A Culminating Project Presented to the Faculty of the Graduate
School of the Lindenwood Colleges in Partial
Fulfillment of the Requirements for the
Degree of Master of Science

1984

DEDICATION

COMMITTEE IN CHARGE OF CANDIDACY

Dr. James Kirk, Chairperson and Advisor

Adjunct Professor Bernard Weinrich

Dr. Arthur Prell, Chairperson, Department of
Business Administration

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This thesis is dedicated to my wife, Saddika Alghalib, and my son Ahmad, without whose help and support this project would not have been possible.

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that occur when in a foreign environment.
An attempt will be made to concentrate efforts on possible
problems American managers may face in such a work environment,
identifying the nature of these potential problems, and
attempting an explanation for their existence.

In order to give as broad a spectrum as possible, a variety
of multinational corporations with operations in Saudi Arabia
were surveyed. These corporations were chosen according to their
size and the percentage of Saudi's middle management and labor
involved in their operations. Fifty questionnaires were sent to
corporations of various types to determine if there are common
problems of operations in an environment such as Saudi Arabia.
Also, this study is to search for a general approach to solving
these problems, including ethnocentrism and its various
components and to suggest some possible actions to insure better
American-Saudi relations in the future.

Too many Americans think of Saudi Arabia
just in terms of petroleum and not people.
That is a misleading and dehumanizing per-
ception which disserves both you and us.¹

CHAPTER I

INTRODUCTION

The purpose of this project is to explore the managerial environment, the attitudes, and experiences of American employees who are involved in corporations operating in Saudi Arabia. Also, the project is designed to better understand the American worker's ability to deal with the different conflicting aspects of both external environmental forces and internal company forces that occur when in a foreign environment.

An attempt will be made to concentrate efforts on possible problems American managers may face in such a work environment, identifying the nature of these potential problems, and attempting an explanation for their existence.

In order to gain as broad a spectrum as possible, a variety of multinational corporations with operations in Saudi Arabia were surveyed. These corporations were chosen according to their size and the percentage of Saudi's middle management and labor involved in their operations. Fifty questionnaires were sent to corporations of various types to determine if there are common problems of operations in an environment such as Saudi Arabia. Also, this study is to search for a general approach to solving these problems, including ethnocentrism and its various components and to suggest some possible actions to insure better American-Saudi relations in the future.

Too many Americans think of Saudi Arabia just in terms of petroleum and not people. That is a misleading and dehumanizing perception which disserves both you and us.¹

One of the primary problems multinational corporations operating or planning to operate in Saudi Arabia must understand is the difference in the Saudi environment as compared to the United States, and that viable managerial concepts and theories in one society will very possibly be unsuccessful in the other.

To operate successfully in a different society there is, first, the need to understand its basic culture and its functional characteristics. Then, the business environment and its organization within that culture must be examined and appreciated. Finally, the people working in the company and their relationship must be understood.

Replies from the questionnaires were tabulated in an effort to establish a kind of "attitude profile" of American managers who actually experienced working in Saudi Arabia and to study the impact of the cultural differences between the American manager and the Saudi manager in an effort to find possible managerial problems.

The questionnaires should help in finding similarities and common characteristics between the two cultures. A copy of the questionnaire is found in Appendix A.

Chapter I - Introduction

Chapter II - Basic Background of the Saudi Arabian

Chapter III - General Characteristics of the Saudi Arabian Manager

Chapter IV - The Methodology of this study

Chapter V - The American Manager and his responses to the survey

Chapter VI - Summary and Conclusion

CHAPTER II

BACKGROUND OF THE SAUDI ARABIAN

In general, most organizations, whether in the private sector or in the government sector in any country, are effecting and being effected by their Micro environmental forces and the Macro environmental pressures, also, these organizations depend, to a great extent, upon the Intermediate environment.

The different factors and components of these environmental pressures represented in the Micro environment, Macro environment, and the Intermediate environment will be discussed briefly in this section and that is to enable the reader to form a broad picture of the relationship between the organization and its environment.

Keep in mind that the basic definition of these environmental components is the same in all organizations and applies to all societies, but its nature or the reason of its existence varies from one society to another depending on the particular culture's specific value system, economical system, political system, and others.

Macro

The firm's Macro environment is broadly classified into three major systems.

The Cultural System - Every society develops its own culture over a period of time, and this culture determines in large measure how its members behave and interact with one another.

Included in culture are such components as values, norms, artifacts, and accepted behavior patterns. Since society is really a collection of organizations and institutions, it is evident that they are effected to a considerable degree by the cultural forces in the Macro environment.

The Political System - The political system is the way in which a society governs itself, it includes various governmental units at all levels of government - federal, state, and local in the United States. On the other hand, the reader will notice later in this chapter that the Saudi political system is different than the American system, thus the government laws and regulations differ accordingly.

The Economic System - The economic system of a society is the way in which a society creates and distributes wealth.

Technology - This includes techniques and science of production and distribution, machinery and automation, work flows and processing, and the state of industrial development.

Skill Mix - This is labor availability by skill and geographic area, mobility, training, and development, also, unionization.

Customer/Client Groups - This area includes buying power, expectation, time, place, quality, quantity, price, need, wants, and perceptions.

Micro

The Micro environment, the organization itself, is made up of three major systems: 1) the goal and worth system, including technology; 2) the structure, communication, and power system

(internal linking system); 3) the human factors system.

The goal and worth system of the organization is made up of the primary mission, the specific objectives, and the types of work undertaken to accomplish the mission and objectives of the organization. The power and authority system is concerned with the way the organization allocates decision-making authority throughout the organization. Such concepts as organization design, delegation, and control are primary considerations here.

The human factors system is the network of interpersonal relationships and behavior patterns that exist within the organization. Both formal and informal interrelationships are part of the human factors system. Such concepts as roll behavior, motivation, perception, reference groups, and leadership are all components of the human factors system.²

Intermediate

The Intermediate environment provides a link between the organization and its Macro environment and consists of agents or agencies which interact with both environments. A partial list of examples for the intermediate environment is noted in Figure I.

peninsula, covering an area of 2,300,000 square kilometers. It is strategically located between Africa and Asia near the Suez Canal and has frontiers both on the Red Sea and the Arabian Gulf. Geographically, Saudi Arabia is divided into four major regions "excluding rub Al Khali," the desert, which is known as the empty quarter. The first is Najda, high country in the heart of the kingdom; secondly, Hijaz, the region along which lies the Red Sea coast. The region of Asir, adjacent to the Southern Red Sea-Yemen border area constitutes the third region and finally, Al-

FIGURE I

ClimateMACROINTERMEDIATEMICRO

		*culture values
		*attitudes
		*role patterns
		*family
		*religious system
		*education
		*political system
		*government
		*political parties
		*political problems
		*economic system
		*market system
		*business organization
		*property ownership
		*technology
		*skills
		*customer/client
	*suppliers	
	*distribution	
	*advertising	
	*public relations	
	*sales agents	
	*employment	
	agencies	
	*service units	
	*law firms	
	*lending	
	institutions	
*goals & work sys.		
*strucutre, communication & power		
*human factor sys.		

Components of the Organization: Micro, Intermediate, Macro environments.

Source: B.J. Hodge and Wiliam D. Anthony, Organization Theory (Boston: Allyn and Bacon, Inc., 1979) page 67.

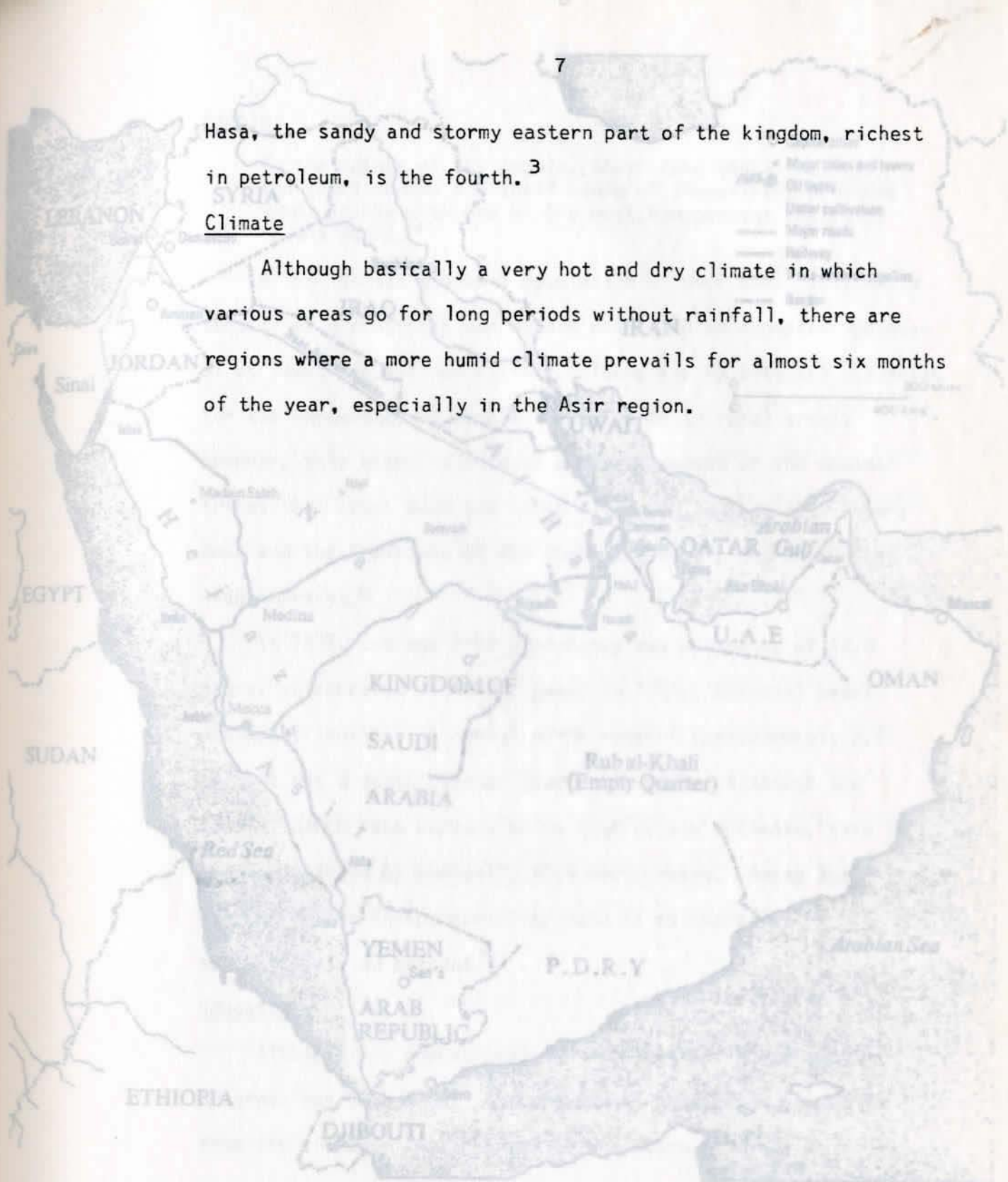
Geographic Considerations

Saudi Arabia makes up about four-fifth of the Arabian peninsula, covering an area of 2,300,000 square kilometers. It is strategically located between Africa and Asia near the Suez Canal and has frontiers both on the Red Sea and the Arabian Gulf. Geographically, Saudi Arabia is divided into four major regions "excluding rub Al Khali," the desert, which is known as the empty quarter. The first is Najda, high country in the heart of the kingdom; secondly, Hijaz, the region along which lies the Red Sea coast. The region of Asir, adjacent to the Southern Red Sea-Yemen border area constitutes the third region and finally, Al-

Hasa, the sandy and stormy eastern part of the kingdom, richest in petroleum, is the fourth.³

Climate

Although basically a very hot and dry climate in which various areas go for long periods without rainfall, there are regions where a more humid climate prevails for almost six months of the year, especially in the Asir region.



The four major regions of Saudi Arabia are:

1. Najda
2. Hijaz
3. Asir
4. Al-Hasa



The four major regions of Saudi Arabia are:

1. Najda
2. Hijaz
3. Asir
4. Al-Hasa

People

In the makeup of its people, their fundamental beliefs and commitments, and their sense of themselves, provides Saudi Arabia with one of the most homogeneous societies in the world.⁴

A 1974 census showed a population of over seven million, a density of six persons per square mile with an expected increase of at least one million by 1978.⁵ There are no official estimates for the percentage of people in cities or in rural areas; however, this might be because of the movement of the nomadic tribes that cross back and forth along the borders with Yemen, Oman and the Sheikdoms of Abu Dhabi and Dubai, now the United Arab Emirates.⁶

In 1975, average life expectancy was estimated at 47.8 years, as compared with 37.2 years in 1955. Official Saudi estimates indicate an annual birth rate of approximately 2.75 percent and a death rate of twenty per 1000. Although the Saudis' birth rate appears to be high by any estimate, this is counterbalanced by unusually high death rates. Among the migratory, the infant mortality rate is estimated at approximately 60 percent.⁷

Education

Although the educational system is still inadequate, progress has been made. The government encourages education from its citizens in all areas of education. Schooling is in three stages; primary, intermediate, and secondary, which is to prepare older pupils for universities; pre-primary schools are being introduced. Education is free in all these stages, monthly scholarships are paid to students in higher education. Girls'

education is separate. In 1981, there were 184 pre-primary schools with 27,843 pupils, 3,744 primary schools with 930,436 pupils and 50,010 teachers. There were also adult literacy classes and special schools for 1,971 handicapped children. There were 107 teacher training schools in 1980.

Vocational and technical training have been given special emphasis. In 1981 there were 18 vocational centers, where 3,684 primary school graduates were instructed in basic trades. There were also five technical and eight commercial secondary schools, taking 5,418 intermediate school graduates, and four industrial, one agricultural and two commercial higher institutes, with total enrollment of 1,466 students.⁸

In surveying the total educational system of Saudi Arabia, it must be remembered that it had its real beginning in 1949-1956, with the personal support of the then HRH Prince Fahsal, and the encouragement of HJH Prince Fahad Ibn Abdul Aziz, who later became ministerial education and president of the Saudi Higher Council of Education, the highest educational authority in the kingdom.⁹

Table I will illustrate the rapid development of higher education in the kingdom, between the periods of 1970-1971, 1974-1975, and 1978-1979. These figures include all levels of college education.

Per capita, GDP at SR 18,029, rivaled levels in many developed nations.¹¹

Social Welfare

TABLE I

Social welfare in Saudi Arabia is traditionally provided through family or tribes. Those with no family or tribal ties have resorted to traditional Islamic foundations or they may request government relief, which is supported from collection of Islamic taxes, called 'Zakat'. 'Zakat' will be explained in detail later in this paper. The Social Security Department grants annual stipend to orphans, widows, divorcees, invalids, and persons with disabilities.

	<u>1970/ 1971</u>	<u>1974/ 1975</u>	<u>% of increase</u>	<u>predicted 1978/ 1979</u>	<u>% of increase</u>
Total	8,492	19,093	125	44,101	131
Male	7,801	16,171	107	33,123	105
Female	691	2,922	323	10,978	267

Source: Kingdom of Saudi Arabia, Ministry of Education, Center for statistical data and educational documentation, educational statistics in the Kingdom of Saudi Arabia, 1974/75, pp. 331.

Religion

The number of Saudis holding Ph.D.'s is over three hundred. There are not statistics about the number of Saudis holding master degrees. The estimated number of Saudi students holding an undergraduate degree from Saudi Arabian universities and other countries was approximately 24,211 in 1975/76.¹⁰

Income

The Gross Domestic Product (GDP) was estimated at SR 87,773 million in 1973-1974 (SR: "One American dollar is equivalent to three-and-a-half Saudi Riyals."), a dramatic increase over the SR 12,727 million earned in 1968-1969, and a direct result of the sharp increase in oil prices. The GDP in 1973-1974 was estimated at SR 100,965 million; an increase of 149 percent over 1972-1973. Per capita, GDP at SR 18,029, rivaled levels in many developed nations.¹¹

There is a marked similarity between Christianity and Islam in their exclusivity. Both are characterized by religious jealousies, intolerance, and the conviction that the only Doctrine of faith, or rather, the sect, to which one belongs are true and valid, and that all other faiths are in error.¹²

Social Welfare

Social welfare in Saudi Arabia is traditionally provided through family or tribes. Those with no family or tribal ties have recourse to the traditional Islamic pious foundations or they may request government relief, which is supported from collection of Islamic taxes, called "Zakat". "Zakat" will be explained in detail later in this paper. The Social Security Department grants annual stipend to orphans, widows, divorcees, invalids and indigent families, as well as assistance to persons partially disabled or afflicted by natural disasters. ¹²

Religion

Islam in the Wahhabi interpretation of the Sunni doctrine is the official religion and the faith of 90 percent of the Saudi, with the remaining 10 percent Shiates.

In almost all the religions of mankind, a sense of superiority can be detected, whether in the past or present. The different religions brought together in a multinational corporation are too numerous and vary too much to discuss and compare. However, since this project is being done for Americans working in Saudi Arabia, and 90 percent of all Americans in Saudi Arabia are Christians, it is felt that there is an obligation to briefly show the common factors and the differences in Islam and Christianity. in the timeless knowledge of God and his "God" power of planning and executing his plans.

There is a marked similarity between Christianity and Islam in their exclusivity. Both are characterized by religious jealousies, intolerance, and the conviction that the only Doctrine of faith, or rather, the sect, to which one belongs are true and valid, and that all other faiths are in error. ¹³

We could not accept Mr. Pati's statement as an absolute fact, but one can find many other similarities between Islam and Christianity. Both religions agree that one God created the universe, that Christ was born of a virgin, that he rose into heaven, and that man will be granted eternal life if he obeys God's will. However, the Muslims reject the idea of God as the father of Christ, or of the divinity of Christ, although they accept Christ as a prophet.

Islam believes in the all-pervasive presence of the Almighty, and the development of the individual and social community. This development cannot be primarily materialistic and secular, but must be infused with the worth of the Almighty is the feeling of the Muslims. The true, faithful Muslim believes that the following principles are articles of faith:

1. He believes in one God, supreme and eternal, infinite and mighty, merciful and compassionate, creator and provider.
2. He believes in all the messengers of God without any discrimination among them.
3. The true Muslim believes, as a result of Article Two, in all the scriptures of revelations to God.
4. The true Muslim believes in the angels of God.
5. The true Muslim believes in the last day of Judgment.
6. He believes in the timeless knowledge of God and his "God" power of planning and executing his plans.
7. That God's creation is meaningful and that life has a sublime purpose beyond the physical needs and material activities of man.

8. The true Muslim believes that every person is free from sin and claims to inherit virtue.
9. The true Muslim believes that man must work out his salvation through the guidance of God.
10. The true Muslim believes that God does not hold any person responsible until he has shown him the right way.
11. The true Muslim believes that faith is not complete when it is followed blindly or accepted unquestioningly unless the believer is reasonably satisfied.
12. The true Muslim believes that the Quran is the word of God revealed to Muhammad through the agency of the angel Gabriel.
13. The true Muslim believes in a clear distinction between the Quran and the traditions of Muhammad. The Quran is the word of God whereas the traditions of Muhammad are the practical interpretation of the Quran.¹⁴

All the articles mentioned above are based upon and derived from the teachings of the Quran and the traditions of Muhammad. An attempt was made to include as many articles as possible, to be able to better understand the Muslim faith.

The five pillars of the Islamic religion are:

1. Al-Shahadah

The first of the five tenets of Islam is the testimony and the pronouncing of the words that "There is no God but Allah and Muhammad is his prophet." This Shahadah, or testimony, when recited by a person of sincerity, sound capacity and without any mental reservations, constitutes the first major requirement of being a Muslim.

2. Al-Salah (prayer)

Prayers are of such great significance that some scholars of the religion describe them as the backbone of Islam. Each Muslim is required to pray five times daily. For more details on the time of prayer, please see Chapter III.

3. Al-Siyam (fasting)

Fasting, which means complete abstention from food and drink from sunrise until sunset during the month of RAMADAN, is the third basic tenet of the Islamic religion.

4. Al-Zahat (almsgiving)

This is the fourth pillar of Islam and will be discussed later in this chapter.

5. Al-Hajj (the pilgrimage)

The fifth and last pillar of Islam is the Hajj. It is explicitly stated in the Holy Quran that every physically and financially able Muslim should make the Hajj to Mecca once in his or her lifetime. The Hajj is considered the final culmination of each Muslim's religious duties.¹⁵

The laws: Sharia

In modern western cultures, the new is considered better than the old, and thus change in itself is considered good; in tradition bound Arab cultures, the old is regarded as better than the new and thus, the retention of the existing order is considered good.¹⁶

In this way, we find that most of the Saudi National Concept of States is derived from the Holy Book Quran, and from it, new laws are being derived to meet the needs of the Country. His Royal highness, Prince Bander Bin Sultan, recognizes the need for

basing new laws on the SHARIA "the Islamic law," and for improving these new laws according to the teachings of the Quran, much as the American Constitution and its laws are continually being revised and updated.¹⁷

According to Saudi beliefs, the Islamic laws are compatible with science and should be able to deal with civil, criminal and personal affairs in the light of existing conditions:

Islam, governed by the Holy Quran, is not just another religious doctrine, rather it is unique among other religions as it penetrates into the whole spirit of its adherents through the Holy Quran, whether individually or collectively, for it has been protected against division between religious affairs and state affairs. Religion has been given the authority for legislations and jurisprudence.¹⁸

Political

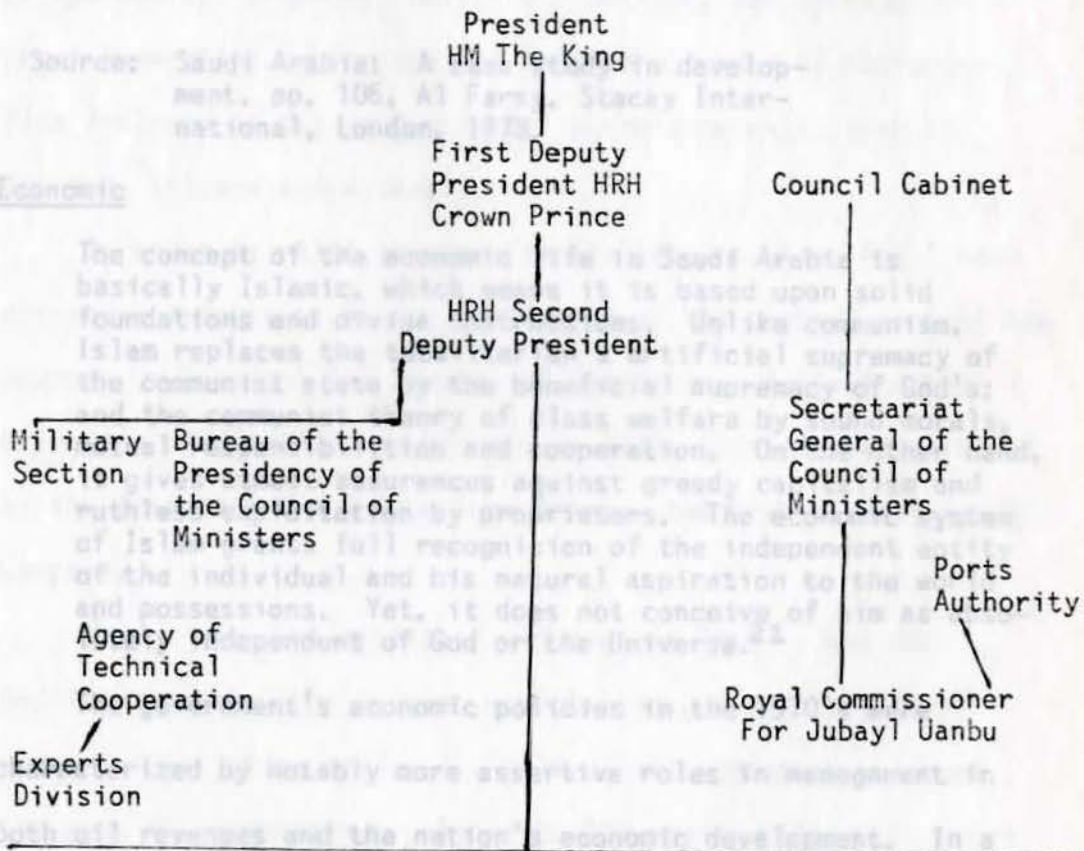
The political system of Saudi Arabia is a monarchy under the ruling family of the House of Sa'ud, using the Holy Quran as the constitution. "SHARIA" is the Islamic law that governs the political, economic and social laws of the country. It is the fundamental assumption of the policy of Saudi Arabia that the Holy Quran, correctly implemented, is more suitable for Saudi Muslims than any secular constitution.¹⁹

The council of ministers, the most potent of all agencies and organized bodies of government in Saudi Arabia, derives its power directly from the King. The first Saudi council of ministers was established by Royal Decree of King Abdul Aziz (ruled: 1932-1953), in which he dealt with four major issues: the organization of the council itself, the council's jurisdiction and procedure, jurisdiction and procedure, jurisdiction of the president of

the council and divisions of the Council Cabinet. The main provisions of the constitution of the Council of Ministers can be found in "Saudi Arabia: A case study in development".²⁰

The general provisions call for a Council that shall supervise the state policy within the country and abroad. However, as earlier stated, the Council is under the direct supervision of the King and any decisions they make must be sanctioned by the King himself before coming into effect.

FIGURE II



sharp departure from the laissez-faire approach of the 1950's and the 1960's, the government moved to acquire a 50 percent interest in Aramco, the country's major petroleum enterprise. In 1976, Saudi Arabia entered into negotiations for a full takeover.²² The

<u>Defence & Aviation</u>	<u>Education</u>	<u>Higher Education</u>
<u>Commerce</u>	<u>Information</u>	<u>Finance & National</u>
<u>Foreign Affairs</u>	<u>Communications</u>	<u>Economy</u>
<u>Pilgrimage & Endowments</u>	<u>Housing & Public</u>	<u>Minister w/o Port-</u>
<u>Labor & Social Affairs</u>	<u>Works</u>	<u>folio</u>
<u>Interior</u>	<u>Agriculture</u>	<u>Industry & Power</u>
<u>Justice</u>	<u>Municipal & Rural</u>	<u>Petroleum & Mining</u>
<u>Planning</u>	<u>Affairs</u>	<u>Resources</u>
	<u>Health</u>	<u>Telephone & Tele-</u>
		<u>graph Posts</u>

Source: Saudi Arabia: A case study in development, pp. 106, Al Farsy, Stacey International, London, 1978.

Economic

The concept of the economic life in Saudi Arabia is basically Islamic, which means it is based upon solid foundations and divine instructions. Unlike communism, Islam replaces the totalitarian's artificial supremacy of the communist state by the beneficial supremacy of God's; and the communist theory of class welfare by sound morals, mutual responsibilities and cooperation. On the other hand, it gives utmost assurances against greedy capitalism and ruthless exploitation by proprietors. The economic system of Islam grants full recognition of the independent entity of the individual and his natural aspiration to the world and possessions. Yet, it does not conceive of him as absolutely independent of God or the Universe.²¹

The government's economic policies in the 1970's were characterized by notably more assertive roles in management in both oil revenues and the nation's economic development. In a sharp departure from the laissez-faire approach of the 1950's and the 1960's, the government moved to acquire a 60 percent interest in Aramco, the country's major petroleum enterprise. In 1976, Saudi Arabia entered into negotiations for a full takeover.²²The

major focus on Saudi economic life is on the oil revenues, the government's developmental plans (1970-1985) and the natural resources.

In 1962, the Kingdom's first national petroleum company was formed. Petromin (general petroleum and mineral organization) was empowered to formulate and execute projects for the development of the nation's petroleum, petro-chemicals, and mineral industries. Its main role is to maximize the usefulness of oil, gas, and minerals, by exploiting natural resources such as hydrocarbon products, refining pipelines, and storage and power generation, which are all under the domain of Petromin. Also included is the production of petro-chemicals, such as benzene, toluene and xylene.

In order to raise revenue for his Kingdom, King Abdul Aziz granted a concession of the large area of the eastern part of the country to Standard Oil Company of California, following the discovery of petroleum in Bahrain in 1932; this was later joined by the Texas Oil Company to form Aramco, the Arabian-American Oil Company.

When proven and estimated reserves in Dhahran and Abu-Hadriya surpassed the boldest expectations, a supplementary agreement was added on May 31, 1939. This agreement enlarged the area of concession by almost 80,000 square miles. In order to give the Saudi Arabian government more control over its most valuable industry, two Saudi government representatives were elected to Aramco's fifteen man board of directors, and the company headquarters were moved to Dhahran.²³

In September of 1960, the Organization of Petroleum Exporting Countries, known as OPEC, was formed as a permanent intergovernmental organization with international status. Its purpose was development of a common policy toward industrialized countries and the fixation of petroleum prices in a unified manner. To qualify for membership, a state must have fundamentally similar interests to existing countries that were members and possess a substantial net export of crude petroleum. This was followed in 1968 by the formation of the organization of Arab Exporting Countries, OAEC, by Arab countries whose main source of income was petroleum, a qualification later revised to include countries where petroleum was an important rather than main source of income. The main purpose was to carry out common projects to diversify economic investments, to develop and promote international petroleum industries, and assure that petroleum would reach the market under just and reasonable conditions.²⁴

As of 1974, Saudi Arabia was the third largest oil producer in the world, with production of 3,095,088,427 barrels per year. On a daily production basis, the 8,479,694 barrels produced by Saudi Arabia represented 15.2 percent of all total daily oil productions, and by 1978-1979, that figure was expected to rise to 9-9.5 million barrels a day. It also had a proven crude oil reserve of 141 billion barrels, the largest amount owned by any single oil producing country.

from 1970-1975, was the development of gross domestic product (GDP), of human resources necessary to increase national production, and diversification of national income, which was wholly dependent on oil. Growth rate of GDP was 15.3 percent during the first plan and 8 percent during the second plan (4.3 percent in the oil sector and 15.3 percent in the non-oil economy). The chart below will show the increase of labor forces in the oil fields.

TABLE II

<u>Year/ Total</u>	<u>Saudi Arabs</u>	<u>Americans</u>	<u>Other Nationalities</u>
1977/25,527	16,740	2,323	6,464
1978/30,453	17,894	3,282	9,927
1979/38,243	12,839	3,738	12,666
1980/46,876	26,321	4,651	15,898
1981/53,437	29,753	5,255	18,429

Source: Facts & Figures in 1981, Aramco-Middle East & Africa, statistics, p. 10, Aramco, 1981.

Governmental development plans from 1970-1975:

With the sudden influx of incredible wealth came the problem of how to use it to maximize the benefits of the Kingdom and its citizens. A government plan, made up of three five-year plans, was developed, the major theme being the development of human resources through importation, deployment and distribution of products, with the central issue the education and training of the Saudis and expatriate labor force.²⁵

The principal thrust of the first five-year plan, extending

from 1970-1975, was the development of gross domestic product (GDP), of human resources necessary to increase national production, and diversification of national income, which was then wholly dependent on oil. Growth rate of GDP was 16.3 percent during the first plan and 8 percent during the second plan (4.8 percent in the oil sector and 15.1 percent in the non-oil economy).

Early encumbrances of the first plan were the lack of basic roads, ports, communication system, electricity, ancillary facilities, and of viable infrastructures through which to channel men and machines. Also at this time, the literacy was at no more than five to fifteen percent of the total population. One of the most important accomplishments of this plan was the experience gained in national planning, the establishment of objectives, and specific priorities within those objectives. Other accomplishments include a national survey, a plan for transport sectors, socio-economic surveys, programs for manpower development, and an initial plan for the development of the infrastructure to support industrial development. A documentation center and a computerized management information system were among the other objectives.²⁶

The second development plan was in 1975, and was one of emphasis on rapid development of the Kingdom through extensive construction projects, unrestrained importation of foreign labor, and the education and training of manpower, both Saudi and foreign. Through this phase, economic development advanced at an unprecedented rate in modern history, which necessitated both

quantitative and qualitative expansion of educational and training mechanisms.²⁷

The third development plan ran from 1980-1985. This plan emphasized industrial development and the training of an indigenous work force. GDP is expected to grow at a rate of 6.2 percent in the non-oil economy; industrial growth will be much higher than this. An anticipated decline in the construction sector depresses the figure. Government expenditure during this plan is expected to total 783,000 million riyals, of which 262,000 million will be for the development of economic resources, 130,000 million for education and training, 61,000 million for social welfare and 249,000 million for physical infrastructure.²⁸

The present five-year plan stresses the distribution of the benefits of modernization throughout Saudi society. Unlike the previous two five-year plans, which placed emphasis on high growth rates and unrestricted importation of foreign labor, it concentrates on diversification of economic base, decreased emphasis on foreign labor and the development of more efficient Saudi work forces.

It gives way to a policy of selective growth and consolidation, rather than expansion of the expatriate force enhancing productivity of the Saudi work force through improved manpower policies and improved individual performance. Through this third five-year plan, the government is attempting to come to terms with the realities confronting the on-going development of the Kingdom's resources.²⁹

The Tax System

Since the main source of government revenue of Saudi Arabia is export earnings from petroleum, it does not have to depend on taxation of its citizens. However, Al-Zakah, or the Almsgivings, one of the five pillars of the Islamic religion, is a religious duty that must be fulfilled by Saudi nationals. This is not considered a form of charity, kindness, tax or deduction of one's property, but is a combination of all of these and an abundant enrichment and spiritual investment.

Zakah is a healthy form of internal security against selfish greed and social dissension, against the intrusion and penetration of subversive ideologies. It is an effective instrument in cultivating the spirit of social responsibility on the part of the contributor, and the feeling of security and belonging on the part of the recipient.³⁰

The minimum rate of Al-Zakah is 2.5 percent of the Saudi's total net income, not the total value of his whole property. In times of emergency or as the need arises, the minimum rate is disregarded and the more one gives, the better for everyone.³¹

There is customs duty exemption for virtually all imported goods used by industry, and there are no foreign barriers, except for alcoholic beverages, pork products, pornographic literature, and firearms, which are not allowed to be imported. However, if the government considers that domestic manufacturing projects are facing unfair competition from imports, it may grant a tariff protection by imposing duties on similar products being imported.

The United States-Saudi Arabian Joint Commission On Economic Cooperation was established in June of 1974 "to promote programs of cooperation between the two countries in the field of

Another difficulty in accomplishing this goal is Saudi industrialization, trade, manpower training, agriculture and science and technology."

On February 13, 1975, the two governments signed a technical cooperation agreement, providing a framework for the Joint Commission to begin operations. Since that time, the Commission has become an active government-to-government mechanism, by which the expertise present in various parts of the United States and Saudi Arabian governments and their respective private sectors can be brought together for the purpose of strengthening economic and political ties between the two nations and encouraging better understanding between the United States and Saudi people.³²

Problems Facing the Multinational Corporation in Saudi Arabia

One of the specific problems facing the multinational corporation is the imbalance between the number of new Saudi entrants into the labor force and the need for human resources. The Saudi government has asked the multinational corporations operating in Saudi Arabia to "Saudiize" its corporate operations in the country.³³ This in itself becomes a problem, due to the increasing need to provide good managers as soon as possible out of the low number of Saudi managers available.

The multinational corporation finds it difficult to train Saudis at the speed desired by the Saudis themselves, to become self-sufficient and capable of taking over executives' positions competently upon the departure of the present American executives. This, coupled with the natural impatience of the Saudis to gain more control over their nation's principal industry, presents problems.

Another difficulty in accomplishing this goal is Saudi Arabia's tremendous shortage of labor, especially highly skilled and technical labor, but also semi-skilled labor. For this reason, the release of labor importation restrictions has been urged in order to meet the challenge of the 1970-1985 economic plan.

The need for importation of its labor force is perhaps best indicated by the table below. This shows that in this petroleum rich country, 51.7 percent of the population is still involved in agriculture and fishing, perhaps due to preference to remain with the traditional way of life and lack of education, and only 1.5 percent involved in the mining and petroleum field, and even less, 0.7 percent in the construction field.³⁴

Sources: The New Arab Social Order, Saad Eddin Ibrahim, Westview Press Inc., Boulder, CO, 1982 p. 97.

The number of Arab Muslims, non-Arab Muslims, and Christian Arab workers needed to carry out the Kingdom's developmental plans, and the manpower from the western world needed for their technical knowledge and efficiency, has risen since 1974, and there has been a 40 percent increase in Egyptian manpower over 1973 available figures, due to the increasing need for teachers at all levels of the system.³⁵

The further increase of Lebanese, Syrian, and Palestinian, British, French, Swedish, and Nationalist Chinese manpower represent the highest industrial, technical, and commercial levels to date.

TABLE III

Saudi Arabia: Employment by Economic Sector and Nationality

	Saudi Arabian		Non-National		Saudi Arabian Share of Employees	
	#	%	#	%	#	%
Agriculture & Fishing	530,700	52.7	54,900	7.1	585,600	90.6
Mining & Petroleum	15,400	1.5	11,600	1.5	27,000	57.0
Electricity, Gas & Water	21,550	2.1	94,350	12.2	115,900	18.6
Construction	7,200	0.7	13,150	1.7	20,350	35.4
Wholesale & Retail	35,900	3.5	203,600	26.6	239,300	15.6
Transport & Storage	30,600	5.9	1,311,500	17.0	192,100	31.5
Communication	72,900	7.1	30,950	4.0	103,850	70.1
Finance & Insurance	5,150	0.5	6,950	0.9	12,200	42.6
Community/Per- sonal Services	277,100	27.0	266,600	29.3	503,700	55.0

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The increase of foreign manpower in Saudi Arabia is understandable and necessary in the fulfillment of the government's five-year plans. Although the use of foreign manpower may be a necessity, it also presents crucial problems, such as the disturbance of existing Islamic social patterns, and the effect that alien social customs and habits may be on the country's social mores. Those problems should be looked at and acted upon. There is a definite need for specific policies regulating foreign manpower in Saudi Arabia to protect its citizens from becoming a minority in their own country, by not allowing the ration of foreign manpower to exceed the population by more than one-fifth. Rather than weakening the existing Islamic society, the industrial advancement must be used to maintain it by minimizing the impact of alien social customs and norms with termination of their services upon accomplishment of their purpose.³⁶

The following Quranic verses were translated from Arabic to English,³⁸ it should give a clear image of the philosophy of work in Islam.

Quran VII:32 "The extent of fruition of any individual or nation is wholly dependent upon his work."

Work is the only factor that should be considered when classifying ranks and individuals; subsequently, all the old standards such as wealth, power, and possession will become more completely dependent on the work factor and thus revert to their original positions. Then and only then, will each individual possess only that which he rightfully and lawfully deserves.³⁹

Professor Mehdi Bazargan, in his book Work and Islam,

suggests a selection of the CHAPTER III
 prime importance of "THE SAUDI ARABIAN MANAGER" that faith alone is
 not sufficient for the spiritual elevation of the believer. Only

The American businessman's ability to compete in the Saudi market begins with how he deals with the Arabs along with the provision of quality products and services. This is contingent on his knowledge of the Arabs' value system, customs, expectations, sensitivities and perception of themselves and the world around them.³⁷

In the Holy Book of Islam, Quran, there are many Quranic verses that address the importance of work in man's life. A brief discussion of the work ethnics in the Muslim religion would enable us to introduce this chapter with more meaningful sense.

The work issue in Islam is a very viable factor in its importance to the Muslim life in general and the Muslim manager in particular. The following Quranic verses were translated from Arabic to English.³⁸ It should give a clear image of the philosophy of work in Islam.

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Professor Medhi Bazargan, in his book Work and Islam,

suggests a selection of the Quranic verses which express the prime importance of "action" which stipulates that faith alone is not sufficient for the spiritual elevation of the believer. Only in conjunction with activity and righteous actions can happiness and prosperity in the hereafter be achieved.⁴⁰

Quran XVII:9 "Verily this Quran doth guide to that which is most right (or stable) and giveth the glad tidings to the believers who work deeds of righteousness, that they shall have a magnificent reward."

Quran XLIII:72 "Such will be the garden of which ye are made heirs for your (good) deeds (in life)."

It becomes obvious that before fruits of that world can be tasted, man must be prepared to face and overcome the difficulties that lie ahead. Without the necessary exertion and struggle, the goal will not be reached. In short, no pains, no gains.⁴¹

Throughout the preceding Quranic verses one can come to the possible conclusion that if man is to meet with God, or the union with the lord or anything else one cares to call it, this union between man and God can only be achieved in one way. How? Through work and effort and through activity which is praiseworthy and unblemished.⁴²

Top managers in western and Islamic corporations are allowed much authority and in return, are held accountable to the organization. The Islamic executive, however, takes on broader perspectives, believing all decisions should be made while perceiving interrelationships between worldly incidents as well

as metaphysical events. This is basically because of his monolithic view of the world through Islam, an all-embracing religion, a total system containing its own political, legal, economic, technological and socio-cultural subsystems.⁴³

That should explain the situation where an American executive would hesitate to discharge an elderly employee because it is a shame after long years of service. The Muslim manager would consider it a sin, as it would not please the Lord to treat a senior citizen so ungently.

While the American executive's main concern is on the performance rather than the subordinate's personality, the Islamic manager considers that the total person, including his personal characteristics within a religious perspective are important. It seems that within the Islamic firm, job performance has little to do with promotion due to the person, as well as personal factors being considered supreme and divine, and that official organizational titles have little relation to actual job functions. It should also be noted that it is the practice of the Islamic religion to fit the good person into any job opening available, rather than fitting the right person to the right job as is the Western concept. The emphasis is on loyalty to its people and religious matters, with loyalty to the organization being secondary.⁴⁴

which operates in Saudi Arabia, especially American multinationals.⁴⁵

Lifestyle and Value System

General Employment Patterns for Saudi Managers

Commission Agent

The commission agent is similar to an import agent in the western world. He solicits orders for merchandise from Saudi merchants and arranges for their importation at a commission, usually 5 percent.

Importer Wholesaler

One who acts as an exclusive distributor for foreign suppliers.

Travel or Shipping Agencies

Operates as an agent of foreign transport firm, offering their services as airline booking or ticket agents and as shipping agents.

The "Typical Arab Trading Firm"

This type of organization combines the functions of importer, wholesaler, exclusive distributor, and retailer.

Also, Saudi Arabian managers hold managerial positions in the multinational corporations which operate in Saudi Arabia, especially American multinationals.⁴⁵

The Arabic language is a beautiful and resonant language, rich in vocabulary, images and unusual metaphors. The richness of the language has an emotional effect upon its speakers, as well as its listeners,

Lifestyle and Value System

It is a very difficult task to be able to identify and provide a summary statement that describes the Arabs in all their individuality and variety. However, the writer shall attempt to develop a general characteristic model of the Saudi cultural traits and their concept of organizational behavior in the Islamic firms. In this way, we may be able to develop a better understanding towards the Saudi nationals who work in the American multinational corporation in Saudi Arabia. In order to understand this personality, a more realistic approach must be developed, an approach to deal with it away from the stereotype personality fostered by the media, a stereotype that, at most, is far from being real or valid.

Fostered by Arabic tradition, the attitude towards the Arabic language amounts to almost worship. Today's Arab, like his pre-Islamic counterpart, displays strong attachment to his language. Arabic is important to him not only for practical, religious and nationalistic reasons, but also because it is his only living art.⁴⁶ Link this with the American attitude that everyone should know English, and that relatively few of the American labor force that have bothered to learn the Arabic language, much less attempt to understand its importance to the nationals, and you will see the beginning of the possible problems facing multinational corporations. The Arabic language is a beautiful and resonant language, rich in vocabulary, images and unusual metaphors. The richness of the language has an emotional effect upon its speakers, as well as its listeners,

which often carries over into foreign languages spoken, and is often misunderstood. Often an Arab is thought to be excited, angry or affectionate from his manner of speech, when in actuality he is not. On the other hand, a foreigner, by his manner of speech, may appear to an Arab to be calm and serene, when actually he is upset or annoyed, all of which often lead to misunderstandings.⁴⁷

To the Saudi, a guest is considered a sacred trust and the generosity extended a guest is almost unlimited, with the guest being treated as well or better than one's immediate family. Arabian hospitality is rooted in the ways of the nomadic Bedoin lifestyle, in the human helplessness of the desert, and the utter dependence of man on man. To refuse a man hospitality in this desolate land, or to harm a guest is not only an offense against established mores but also against God himself. It is important to stress that just as it is an obligation to extend hospitality, there is also an obligation to accept it, even when inconvenient. To refuse a man's hospitality is to insult him by denying him the opportunity to display his valued qualities of character—generosity, fellowship, and the ability to spend. It should also be emphasized that just as the Arab extends his hospitality, he expects it to be returned to him within a reasonable amount of time and in the same generous manner. To overlook this or delay it is to insult him.

Easily noticeable is the tremendous sense of pride of the Arab people at both the personal and national level. The purity of his blood, his prodigious genealogy, ancestors who developed

algebra, discovered logarithms, introduced the numerical system that is the basis of modern mathematics, and who measured the earth's circumference when most Europeans thought it was flat, all of these form the basis of his fierce pride.⁴⁸

The glorification of honor comes before all else in an Arab's life. His honor not only comes from his wealth and power, but also from the fact he can manage without any of these things. To an Arab, his honor extends to his family and is synonymous with the conduct of his wife, sister, or children. The protection of one's honor is very intense.

An Arab's behavior is often a bewildering pattern of extremes. He can move from extreme pride to selfcondemnation, from secretiveness to absolute openness, and from friendliness to hostility with amazing rapidness. The Arabs show a tendency to be their own sharpest critic, and after centuries of personal information being used for the purpose of taxation and conscription into military service, they are highly reluctant to reveal many personal facts about themselves.⁴⁹

The American Multinational Corporation and its Type of Organizational Culture and Composition of Workers

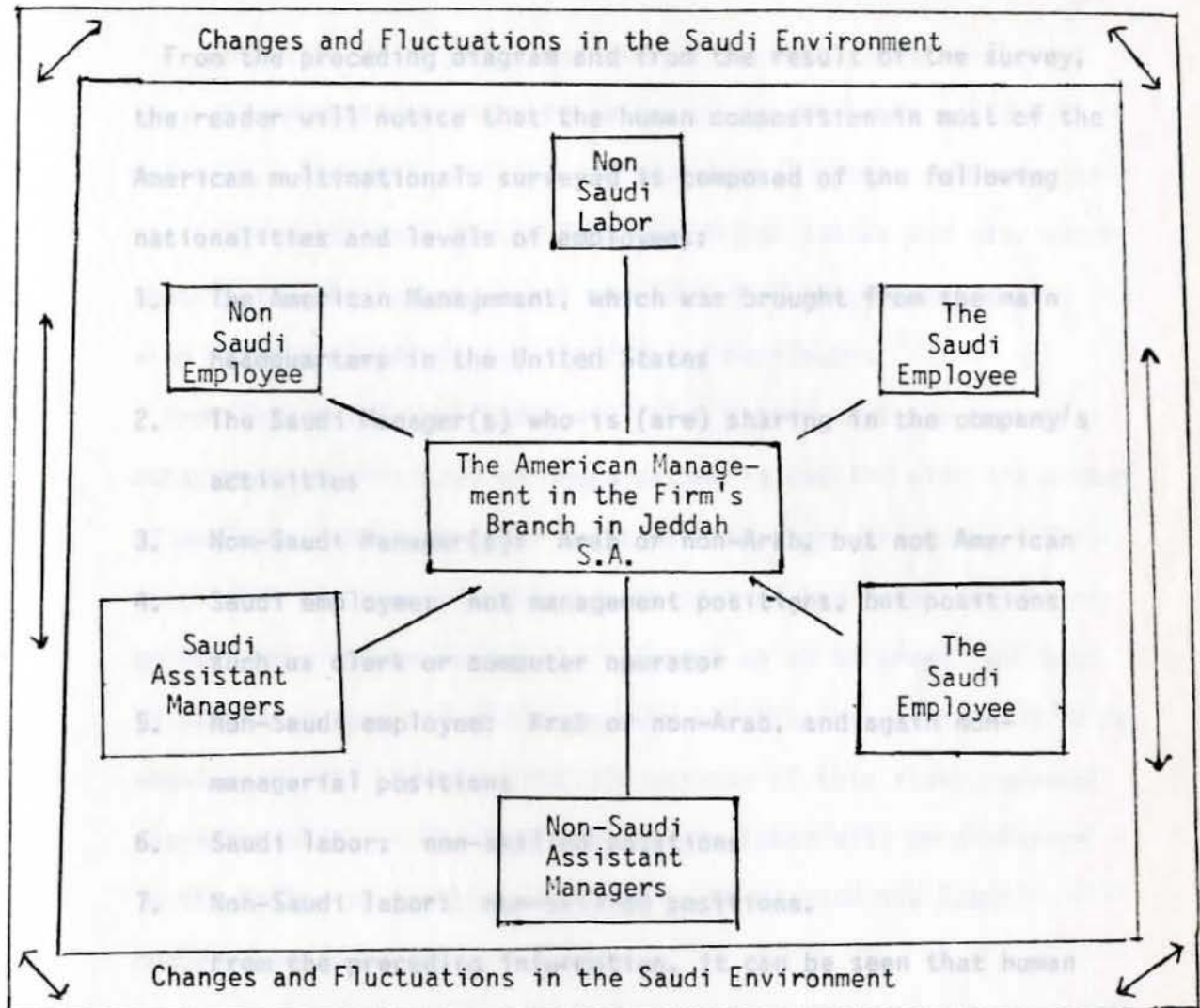
The nature of the organizational culture of the multinational corporation that operates in Saudi Arabia and the background of its employees is essential information to enable the reader to understand the type of environment in which the multinational operates.

This organizational culture consists of many different nationalities which make up the human resources that represent the labor force and the employee. The work force comes from different countries with different backgrounds. They share one thing in common, which is the diversity of their cultural backgrounds. Each culture has its special perception of values, belief system, education, and economics. Most of the preceding components of a culture have a considerable effect on the work ethics and the managerial philosophy in the multinational that operates in Saudi Arabia.

Perhaps the following diagram will explain some of the work relationship between the different cultures represented in this kind of organization which makes up a big part of the business environment of a country like Saudi Arabia.⁵⁰

Figure III represents the relationship of the American management with other nationalities working in the company under the influence and changing patterns of the Saudi environment.

Source: Adopted from *Business Administration in Saudi Environment*, Dr. Madani A. Aljaki Dar Al Sharafa, Jeddah, 1979, p. 135. This diagram was translated from Arabic into English by the writer.



Source: Adopted from Business Administration in Saudi Environment, Dr. Madani A. Alaki Dar Al Shorova, Jeddah, 1979, p. 135. This diagram was translated from Arabic into English by the writer.

From the preceding diagram and from the result of the survey, the reader will notice that the human composition in most of the American multinationals surveyed is composed of the following nationalities and levels of employees:

1. The American Management, which was brought from the main headquarters in the United States
2. The Saudi Manager(s) who is (are) sharing in the company's activities
3. Non-Saudi Manager(s): Arab or non-Arab, but not American
4. Saudi employee: not management positions, but positions such as clerk or computer operator
5. Non-Saudi employee: Arab or non-Arab, and again non-managerial positions
6. Saudi labor: non-skilled positions
7. Non-Saudi labor: non-skilled positions.

From the preceding information, it can be seen that human resources are represented in three main categories and each represents a different culture with its own value system.

1. The American culture
2. The Saudi culture
3. The non-Saudi culture which is beyond the limit of this study, but will be briefly discussed

Also, the reader will notice that there is more than one language, in which these employees communicate besides English, such as Arabic, Japanese, French, Swedish, Korean and many others.

This kind of business environment operates under different laws and regulations which are affected by the Saudi political policies. Economic, social, and educational systems distinguish the Kingdom of Saudi Arabia from the United States and many other countries. The law and labor regulation of the country deals with existing labor forces, Saudis and non-Saudis.⁵¹

From Figure III the reader will also notice that the American management in this kind of organization is dealing with six groups of employees and each group deals with another six groups. This means that the communication interaction of the seven sets makes up forty-two communications in a formal or an informal fashion, in many languages and different ways of thinking. This will bring about conflict. However, for the purpose of this study, general characteristics of the Saudi manager and labor will be discussed in the following section to enable us to examine the Saudi business environment.

The Saudi Manager and Maslow's Hierarchy of Needs

Maslow proposed a theory that individuals seek to satisfy a set of needs, based on a priority system. These priorities were:

1. Physiological needs: Those needs concerned with the basic biological functions of the human body, such as eating and sleeping.
2. Safety needs: Those needs concerned with protecting the person from harm, both physical and psychological.
3. Belonging needs: Those needs concerned with the desire to associate with one's own kind; social interaction,

in the love, acceptance, group membership.

4. Esteem or status needs: Those needs encompassing the need to feel important or to separate one's status from other comparable individual feelings of self-worth and self-importance.

5. Self-actualization needs: Those needs including the need to reach one's ultimate goals in life; the need to fulfill one's own destiny.⁵²

While the Maslow hierarchy of needs might work in the West, which would fulfill these needs in a certain order, many researchers around the world who tried to study these findings according to each particular society, found that the same order may not apply to other societies.

2. According to Dr. Alaki, an interesting study was done by a Saudi college student in the United States to prove that Maslow's hierarchy of needs doesn't apply in the Saudi society in the same order Maslow suggested, although it is basically the same, except that the social needs, friendship, belonging and acceptance by others and the association within the group comes before the safety or security needs.⁵³

This would show the impact of the culture on the thinking and social philosophy of the Saudi manager. This is clear, in that we see the significant fact that the social needs are placed directly after physiological needs. This should mean that regardless of the Western education and the Western concept that these managers might have gathered during their educational life

in the United States or Europe, it did not force them to follow the Western thinking patterns on needs. This continues to be influenced rather by the native culture.

Overall, strong friendship ties prevail most of the time.

General Characteristics for Saudi Managers and the Business Environment

1. The Time Concept. While the concept of time represents a very important factor in the American environment in operating a business, it seems that a great number of the Saudi managers and local businesses have a different concept of time. Business transactions have always suffered from this situation. Meetings are not held promptly, people may arrive several hours late, and other activities occur without strict reference to time schedules.
2. The Saudi employee expects special treatment from the management of any organization. In addition to the normal fringe benefits and other benefits offered by the company, these employees expect a fatherly relationship. In other words, the manager must care about their individual problems whether it is outside the business or not, and they expect social association with the owner in almost all religious or social occasions.
3. The Saudi prefers to work at a job where manual labor is not required even if a "clean" job should pay less money.
4. In the Saudi environment, senior executives are appointed according to the trust and friendship they have with the owner of the business. Friendship pays a great deal in this

kind of appointment. That does not mean a completely unqualified person will get the job, but merely that he has a better chance than the more qualified colleagues. Overall, strong friendship ties prevail most of the time.

5. The Saudi employee does not accept orders in a friendly spirit, and he might refuse them, which is one of the Saudi Arabian's recent industrial movement problems. This might originate from the tribal roots of the society which believes in the principles of freedom and equality.
6. Most of the Saudi business establishments are small in size and have a tendency toward family-owned or private businesses. ⁵⁴
7. Business Hours. Saudi government hours are Saturday through Wednesday, approximately 8:00 a.m. to 2:00 p.m. (During the fasting month of Ramadan, the schedule is shortened to approximately 9:00 a.m. to noon.) Business establishments are normally open from 8:00 a.m. to 2:00 p.m. and from 4:30 p.m. to 7:30 p.m. Saturday through Wednesday and until noon on Thursday. Banks are open during both business periods but observe shortened hours by approximately two hours. During Ramadan, daytime hours are greatly reduced; therefore, businesses open at night from 9:00 p.m. until around midnight.
8. Praying Time. As devout Muslims, Saudis pray five times a day. The first prayer during business hours is at approximately 12:45 p.m. Foreigners should therefore be sensitive to Saudis who may wish to break off further

discussion at this point, leaving visitors while they retire to a prayer room. While praying, Saudis expect privacy and quiet. During the holy month of Ramadan, foreign visitors should not eat or smoke in public during daylight hours.⁵⁵

of management in a Western country. I developed a strong recognition of the importance of understanding cultural differences in values, belief systems, education and economics to better understand the problems of ethnocentrism in order to be able to deal with it from a neutral point of view. This led me to a great interest in the organizational culture of American multinational corporations operating in foreign countries and specifically in Saudi Arabia. This interest in cross-cultural research influenced me to decide upon this culminating project.

Sample Design

In order to deal with the possible problems that American middle managers face in Saudi Arabia, a questionnaire was constructed and contacts were made with personnel managers in Saudi Arabia. The management of these corporations was very cooperative and encouraging about this project. Through them, a list of companies was compiled and the personnel supervisors of four corporations in the United States were contacted via the telephone. These supervisors in turn provided the names of personnel in their corporations who had worked in Saudi Arabia. Each of these employees was then contacted and was told about the project. This was followed up with a questionnaire mailed to those who verbally agreed to help with this project.

A total of fifty questionnaires were sent to American

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A total of fifty questionnaires were sent to American

corporations which were, or are doing business in Saudi Arabia.

The questionnaires were mailed to people in middle management who were working and in contact with Saudi middle management and labour in most of their daily routines. It was felt that this management level would face the kind of possible situations which this study examines because of their direct knowledge in the field with the Saudi nationals and because of their authority as expatriates. As of the writing of this report, a total of thirty-three questionnaires were returned (66%). Hopefully, the results of the survey would help the reader understand some facts about the American workers in Saudi Arabia.

The following companies were chosen as samples because of their heavy involvement in international operations and especially because they have operations in Saudi Arabia.

Honeywell, Inc.

This company manufactures electronic computing equipment, temperature control systems for residences and industrial buildings, automatic control systems and instruments for industry guidance systems, and other equipment for space vehicles, missiles and aircraft computer systems for business, government and scientific uses.

McDonnell Douglas Corporation

They are manufacturers of aircraft, spacecraft, missiles, industrial controls, aircraft parts and equipment, electronics and data processing services.

Bechtel Group, Inc.

This organization is involved in architecture, engineering, industrial buildings, warehouses, highway and street construction, and related services.

General Electric Company

This company is a diversified manufacturer of high technology electrical and related products with important interests in man-made and natural resource materials and varied service businesses.

America's Corporate Families, Dunn & Bradstreet, Inc.

EXPLANATION OF SURVEY QUESTIONS

A copy of the final questionnaire may be found in Appendix B. What follows is an explanation and justification for individual questions asked.

Question #4. This question was asked to gain information regarding the time period in which the American manager spent in Saudi Arabia in order to be able to average a reasonable time period for evaluating the usefulness of the responses according to the experiences of the individual manager which they have gathered in Saudi Arabia during their assignments.

Question #5. It is important to make sure that each individual manager has knowledge of the company's operations in Saudi Arabia and to gain general information about the kind of job or work that each is involved in. In that way, it will make the degree of interaction and the possible conflict clearer by

knowing the size of the operations and the kind of work. For example, if it is mainly a consultant job, the degree of interpersonal interaction and possible conflict will be minimal, while, on the other hand, if the kind of work involves a large operations, such as, oil extraction which contains different ethnic backgrounds, then this suggests a possible problem because of different social, political, and economic backgrounds. There will possibly be a clash between different value systems within the organization.

Question #6. It is important to gain information about the priority of reasons which provided the motivation for these managers to go to Saudi Arabia.

Question #7. This question is similar to question #5 in that its purpose is to verify the nature of the operation in order to develop an idea of the overall environment.

Question #8. By determining their source of information about Saudi Arabia, the validity of the sources can be judged with regard to actual conditions within the country.

Question #9. The discussion of the predetermined notion is important in this study because it will help lead to an understanding of the attitude of the American managers before assignment in Saudi Arabia.

Question #10. This question was designed to identify the possible change in the attitude of the managers after being in Saudi Arabia. Its importance is in the fact that no change might be reflected; in other words, that the predetermined notion stayed the same which would call for one recommendation. If it reflected a big change (either positive or negative), such a

response would provide criteria for an entirely different recommendation.

Question #11. In this question, vital information can be provided by the respondent to identify and closely recognize the different internal and external environmental pressures that exist in this kind of operation.

Question #12. To simply know the company's composition of employees is important because the more cultures involved in the operation, the more possible problems can be anticipated.

Question #13. An idea of the ration of Saudi managers compared to American managers provides the reader with a picture of the power and authority position, and if there is a clear need for change, who will make the decision and who will implement it, and to test the strength and weakness of their mutual relationship.

Question #14. It is important to know the kind of attitude that the Saudis have toward Americans from the American point of view in order to gain more knowledge of the internal environmental pressures and interpersonal relationships between Saudis and Americans. This attitude deals with one's value system and beliefs and how he views the other.

Question #16. Parts A and B were basically assumptions of attitude on the part of both the American and Saudi Arabian manager and that this attitude goes to the heart of the matter and brings out true feelings from the American perspective.

Question #17. Again in this question, another attempt was made to assess other facets of internal forces that are displayed in business and social human interaction among different

employees with differing cultural backgrounds.

Question #18. Because the American multinational corporation in most cases uses English as the medium in business transactions, it becomes necessary to gain information which with the method of communication between employees because if the communication does not include Arabic translation of orders and graphic presentations, confusion or misunderstandings will probably result.

Question #19. In order to be able to come up with sound and realistic recommendations to the problems that face the American manager, it is necessary to take into account his views or opinions about improving relationships among all employees.

Question #20. This question examines and attempts to clarify fundamental facts and issues upon which this study is based; that is, that different cultural backgrounds have a great effect upon working and social relationships in the multinational corporation.

Question #21. It appears that this question was not properly worded to elicit the response desired which was to find out the exact number of Saudi managers compared to the American managers.

Question #22. The final question is similar to question #20 except that it was designed to cover a broader spectrum.

Analysis of Survey Questionnaire

In this section a list of the major problems will be provided. Please keep in mind that the problems addressed are the result of 33 responses from 50 total questionnaires distributed.

Questions Representing Problems

#9 - There exists predetermined conceptual attitude about culture and religion of the Saudi Arabian on the part of American managers. Of the respondents 24 replied yes, 7 no, and 2 did not answer.

#11 - Major problems noted American managers and/or employees in Saudi Arabia. Six felt lack of social freedom, ie, ban on liquor, limited entertainment, and six saw the regulations regarding working hours and conditions as the most restricting drawbacks. These were followed by family and dependent discontent (5), the language barrier (4), customs and traditions (4), over-protection of national employees (4), the religious attitude of nationals (2), the climate (1), and no response (1).

#12 - Company composition of employees, management, and non-management was varied. Of the respondents, 21 replied that their company was composed of Americans/Saudis/Non-Saudi Arabs/Europeans/Asians; the other three categories—Americans/Saudis; American/Saudis/Non-Saudi Arabs; and Americans/Saudis/Non-Saudi Arabs/Europeans—all drew a response of 4 each.

#14 - Negative attitudes were felt to exist about American culture and religious background on the part of Saudi managers. Sixteen responded yes, 6 no, 8 did not know, and 3 had no answer.

#16 Part A -In reference to the Saudi manager only caring about the transfer of technology from the West to his country and not caring about the people providing the information. 18 felt yes, 10 no, and 5 did not respond.

#16 Part B - Some Saudi nationals say "The foreign laborer only comes to Saudi Arabia to meet his/her personal objectives and does not care about the country's well being." Nineteen felt this to be true; 8 did not, and 6 expressed no opinion.

#17 - The most difficult operational concerns, vis-a-vis personnel were varied. At the top of the list was adjustment of business practices to the religious dictates of the country in the opinion of 11 American managers, followed by language barriers and/or cultural differences among foreign labor in the opinion of 10, development of Saudi personnel who will stay with the company by 5, serving educational and cultural needs of employees and their dependents by 4, and 3 with no response.

#18 - Concerning methods of communication for new regulations and day-to-day working procedures, 16 responded that communication was a combination of oral and written methods, 7 dealt primarily with written, 5 used oral communication and 5 used written and oral with some graphic presentation.

#22 - The influence on business decision processes of the differences in all aspects of American and Saudi cultures noted that 22 respondents felt these differences affected greatly the decision-making process, but "felt they made little or no difference".

One might not agree with Philip Harris's thoughts or descriptions of the mainstream American cultural assumption or value, but the writer thinks that part of it might fit the actual description. However, for the purpose of this project, more information is needed about the American manager who worked or is still working in Saudi Arabia in order to be able to analyze the result section of the survey and come to a better understanding of

American managers in Saudi Arabia CHAPTER V

Although the THE AMERICAN BUSINESSMAN analyzed in depth in

the chapter on the research project (Chapter IV), at this time part

of "In a study of the cultural traits of mainstream America, according to Philip R. Harris, it can be summarized as follows: the dominant mode of activity in mainstream American society is "doing". Americans have a preoccupation with time, organization, and the utilization of resources so that everything has to have a purpose that is measurable, "getting things done," which is an American characteristic. In the social relationships, Americans assume that everyone is equal and this removes his need for elaborate forms of social address."⁵⁶

American social relationships are characterized by informality and social reciprocities are much less clearly defined. The identity and to a certain extent, the selfworth, is measured by what an individual can achieve. Americans also assume that the world is material rather than spiritual and man's purpose is to overcome or conquer the forces of nature. Mainstream Americans also see themselves as individual and unique."⁵⁷

The reader might not agree with Philip Harris's thoughts or descriptions of the mainstream American cultural assumption or value, but the writer thinks that part of it might fit the actual description. However, for the purpose of this project, more information is needed about the American manager who worked or is still working in Saudi Arabia in order to be able to analyze the result section of the survey and come to a better understanding of

American managers in Saudi Arabia.

Although the survey was discussed and analyzed in depth in the chapter on the research project (Chapter IV), at this time part of it will simply be used to formulate a general picture of the American manager in Saudi Arabia.

The average American manager is a Christian, well-educated, properly a product of the MBA's educational system with experience in management positions from his past training within the corporation in the United States. He is technically skilled--some with degrees in different field of engineering such as civil, chemical, or petro.

The typical manger has spent an average of three and one-half to four years working in Saudi Arabia in the service field or involved in construction and/or engineering. He is usually involved as a consultant with an American company and has a working knowledge of Saudi Arabia. He accepted the overseas assignments for a number of reasons, including a substantial salary increase, to gain experience in the field, and for cultural enrichment. Information he has gained about Saudi Arabia comes from his own company and Americans who have worked in Saudi Arabia, as well as from Saudis themselves, and newspapers and magazines. He agrees that most Americans have a preconceived negative image of the Saudi Arab, mostly due to bad press of the oil embargo and Middle East affairs. He sees Saudi Arabia as being culturally and socially backward, with a strict, harsh justice system. However, after spending time there, he gained a more positive attitude towards the Saudi people and their value

system.

In general, American managers consider the following to be of great importance: (1) position of profession above people; (2) the setting of schedules; and also (3) that the company performance is the main thing and that hard work eventually leads to rewards.

The American company itself is staffed by a combination of Americans Saudis, non-Saudi Arabs, Europeans and Asians, with the American having more top executives in the company than other nationalities.

Although the American manager feels there are negative attitudes towards Americans on the part of the Saudi manager, he generally agrees that the Saudi manager has basically good communication skills and rates their relationship as very good. Furthermore, it is believed that, although the Saudi manager may care more about the transfer of technology than about the people providing it, it is also true that the Saudi manager believes most foreigners are there for their own personal gain, caring little about the people of the country.

Perhaps the most difficult problems facing the American manager in Saudi Arabia are the adjustments of business practices to religious dictates, followed by language barriers and cultural differences. This is why the American manager feels more priority should be given to orientation, training, and learning the language, customs and traditions of Saudi Arabia prior to transfer to the country.⁵⁸

Once in Saudi Arabia, the American manager will live in the

American compound, which is strictly for the company employees, nationals, or other expatriates who are in management positions.

Also, there are relatively few female employees, most of whom are secretarial level. A major part of the living environment is in Aramco, the oil company, which is located in the eastern province (Rastanura). In the compound there are separate sections for single employees and special quarters for married couples and single female secretaries.

The Aramco compound in the eastern province has more social freedom than any of the others. Although still restricted, it is at a tolerable level for Americans. The "Little America" created there, although still regulated by local authorities outside the camp, provides a shopping center, Safeway supermarket, mixed swimming pools, New Year's Eve parties, and bands on all important occasions. The only thing lacking, perhaps, is alcoholic beverages, which are naturally against the law and the religion of Islam. All of this is provided by some companies in an attempt to keep their employees happy and to relieve the feeling of isolation. Other companies might enjoy some of the above "benefits" but this kind of working/living environment severely limits any cultural exchange between the Americans and the Saudi nationals.⁵⁹

American Businessmen and General Characteristics

From the writer's own personal experience, observation, and reading, the following seems to be the general characteristics of American business people.

1. In the American business environment, senior executives are appointed according to their competencies, credentials, ability, and skills.
2. The concept of management is based on the capitalist theory and the belief in free trade.
3. To the concept of time, the U.S. manager tends to be inflexible. Everything is done according to a schedule, with little or no deviation. Meetings must begin on time and end on time. The entire day is segmented into time slots, and the American becomes uneasy or nervous if the schedule is interrupted, or if little is accomplished.
4. Manager-Employee Relationships: In a non-union environment, the American employee generally accepts orders from his superior without question, and follows through with those orders, even though it might not fit his job description. However, in a union environment, an employee is only required to carry out those tasks which fit his/her job description. To do otherwise might bring a complaint before the Union Grievance Labor Board by a fellow employee of the company.
5. The American workforce is comprised of two distinct groups—the "white collar" workers and the "blue collar" workers. In general, the "white collar" workers are those who hold clerical and professional positions or are management level. The "blue collar" workers are usually those people who do not have the higher education of the "white collar" employees, and hold positions such as factory workers, plumbers, machinists, garbage collectors, and similar skilled

or semi-skilled positions.

6. The American businessman usually works an average of five days a week, Monday through Friday, with business hours ranging from 8:00 a.m. to 5:00 p.m. or 9:00 a.m. to 5:00 p.m. In the factories, where the majority of employees are union, there is usually shift work—meaning that each employee works five days a week, one eight hour shift each day. The number of shifts that a company has is dictated by the amount of workload.

It is hoped that the reader has a good general picture of the "typical" American business person who may be assigned to Saudi Arabia. This description is brief because most readers will already be familiar with this background. It does give some indication as to the potential work-culture problems which may arise.

General Conclusions of the Study Project Research

Thirty-three American managers who have worked in Saudi Arabia were questioned about their experience as managers in that country. Their individual knowledge came through varying positions within their companies. About half of them worked as consultants with an American company operating in Saudi Arabia, while the remainder were involved with joint ventures, Aramco Oil, a government agency or were under contract to the Kingdom of Saudi Arabia on management service. According to the results of the survey, the reason a large percentage of them accepted assignments in Saudi Arabia was because of the salary offered,

followed in order of importance by experience to be gained in a certain field, advancement within the company, cultural enrichment, and a combination of these reasons.

About one-third of the companies for which these managers worked were in the service industry with the balance divided among construction/engineering, training (army/non-army), technical and managerial exertion to Aramco, and a combination of two or more of these functions. For the most part, knowledge of Saudi Arabia was gained either from newspapers and magazines from the company. A few were acquainted with Americans who had previously worked in Saudi Arabia or with Saudi nationals.

When asked whether they felt most Americans have a preconceived conceptual attitude toward Saudi culture and religion, most managers replied "yes" and that they felt Saudis are backward in cultural and social aspects with a lack of innate intelligence. they see them as a rigid, uncompromising, regressive people. After having spent time in Saudi Arabia about 60 percent of those surveyed had changed their opinion of Saudis, mostly for the better, because they had acquired more understanding of their customs and religious traditions. They did, however, feel negative about the government's attitude to foreigners and about religious intolerance.

The major problems faced by the American manager seemed to be a lack of social freedom (ie, limited entertainment, ban on liquor), and the laws and regulations which hamper working conditions. Other drawbacks were social restrictions for the employees' families, the language barrier, customs and traditions

language, orientation and interaction as well as employment of of the Saudis, what was perceived as overprotection of more Western educated Saudis would improve the communication Saudi nationals, and to a very minor degree, the cultural climate.

Most companies operating in Saudi Arabia were composed of several nationalities; namely, Americans, Saudis, non-Saudis Arabs, Europeans, and Asians. Most of the companies had some Saudi managers in their employ. Saudis held varying numbers of top executive positions, some as many as 20 percent of overall personnel. Most of them were rated at the upper end of the scale for their relationship with lower level employees. Some of them were found to be reluctant or unwilling to accept assignments for higher command or to work a full day. About half of the American managers believed that many fellow Saudi managers as well as non-Saudi personnel who will stay with the company to assist managers have negative attitudes towards American culture and educational needs of the employees and their families. Some felt religious background. This was not perceived as hostility but primarily as mistrust. A few felt that the Saudi tried as hard to understand the American as the America tried to understand the Saudi. As for employees other than American or Saudi, it was felt by 25 percent that there was a general respect for religion and culture, while some American managers felt that non-American attitudes were negative or more closely identified with the Saudi perspective.

In communicating, about one-third of those questioned responded that Saudis had good skills; the balance felt otherwise or had no comment. Most communication between Americans and Saudis was split about equally between written and oral, with graphic presentation making up a small portion. Some American managers expressed the opinion that better training in

language, orientation and interaction as well as employment of more Western educated Saudis would improve the communication process.

Of the respondents, most thought the Saudis were only interested in the transfer of technology to Saudi Arabia, with little concern for the people providing it. On the other hand, Saudis appeared to feel that Americans are only exploiting Saudi Arabia for their own personal gains and in return do not care about the welfare of that country or its people.

Personnel problems range in importance from adjustment of business practices to religious dictates through the language barrier and cultural differences, and the development of Saudi personnel who will stay with the company to assist educational needs of the employees and their families. Some felt that personal goals influenced by different cultures could be a hindrance in fulfilling the objectives of the company, but more disagreed. They felt that the objectives of the company could be met despite personal goals.

About two-thirds of those surveyed felt that the difference between the American and Saudi way of life had a great effect on managers in the decision process. Some felt that the Saudi is too rigid in his thought process while others saw the basic problem as a lack of experience and communication skills.

effective and more efficient.

More and more American businessmen will have to travel abroad to meet the increasing demands for the American product and/or services in foreign countries and in Saudi Arabia in particular. The need for them to be aware of the internal and external

CHAPTER VI

CONCLUSIONS AND SUMMARY

In this day and time of worldwide markets, the need for multinational business management is crucial.

There is need for business management to be multinational.

Economically the world and especially the developed world,

has become a market, and the underdeveloped, the poor

countries differ from the developed ones only in their

inability to afford what they would like to have.⁶⁰

The opportunity for more integration between various cultures that make up the American multinational corporation and the development of human relationship between different societies is a vital component and a tremendous factor in the organizational culture which will enhance the business environment between American managers and Saudis and other involved in this type of global business setting. Perhaps, if more emphasis were put on the social relationship between American managers and their families and the Saudi national, and more respect and better understanding of each other's cultures and religions and value system, it would enhance the business relationships in which we are all involved, thereby, making business organization more effective and more efficient.

More and more American businessmen will have to travel abroad to meet the increasing demands for the American product and/or services in foreign countries and in Saudi Arabia in particular. The need for them to be aware of the internal and external

environment pressures of these markets is basic. They also need to be able to differentiate between the drives of the people of these countries for the product or service and the need of the nationals to preserve their cultural heritage and national pride.

Before starting the possible solutions to the kind of problems what face the American manager in the Saudi environment, the writer at this point does not claim that all American multinational corporations that have operations overseas actually do not have their own training program. As a matter of fact, many of these companies have developed and still are in the process of developing and shaping their training programs on a recent and up-to-date fashion.

Until recently, technical expertise, the right personality or style and agreement, if not enthusiasm, to serve overseas was all that was necessary for managers to be sent abroad.⁶¹ That is changing and Honeywell Inc. is a leader and a good example of what multinational organizations are doing in the recent years. Honeywell has great business operations overseas whose sales exceeded \$5 billion in 1981.⁶² The new technology and the great demand of foreign markets for the product and/or services have made the need to fully understand, communicate, and relate to foreign nationals a necessity in the design of products and in the development and the marketing of the particular products.

According to Honeywell's program the following qualities are emphasized in selecting employees for overseas assignments:

*Ability to convey sensitivity through listening
paraphrasing, non-verbal confirmation,

*Technical competence,

*Low need to control people, situations,
and outcomes,

*Patience,

*Interpersonal tact,

*Interest in people.

The purpose of this study as was noted in Chapter I is to study the responses of the survey and attempt to find the problems that face the American manager in a specific environment which is the Saudi environment in this case with the understanding that solutions to specific problems will be recommended by the writer.

Possible Solutions to Questions Raised in Survey

In this section an attempt will be made to suggest possible solutions to the problems raised in the survey which mainly deal with the Saudi business environment. By recommending these solutions the writer hopes that more investigation would be initiated by interested corporations who have business operations in Saudi Arabia. This will allow interested parties to develop a training program that will benefit the company and its employer to reach their objective in this particular market.

Question #9. Preconceived ideas of other people are very hard to overcome except through direct experience orientation courses directed toward educating prospective managers in Saudi Arabia would be of benefit because it allows a more intellectual approach to understanding and appreciating the Saudi people and their value system. With this kind of approach a more realistic

reevaluation of attitudes and thoughts will be initiated. But, by prospective employees, the most valuable education will be experience in working with the Saudis and finding out what they are really like. This can be accomplished by working in the real field of operation or by inviting Saudi businessmen to the main office in the United States and share the opportunity of understanding each other by informal or formal lectures done by the visiting businessmen and if possible previous American managers who have actually work in Saudi Arabia. In this way, the prospective employee for overseas assignment will obtain first hand information full of real experience and not only stereotype information.

Question #11. Basic problems are as follow: the Saudi society is an Islamic culture in its fundamental base. The Saudi national as government or people are highly motivated by their Islamic heritage in their customs and traditions which is reflected in their social and religious morals. The Western ways or beliefs in philosophy, the social entertainment patterns all contradict and sometimes violate the social norms, the laws and the value system of the Saudi Muslims. Ban on liquor, limited social entertainment, and others are part of the tradition in the Saudi culture. With this in mind, the American management must be able to deal with these issues by selecting the right type of employee who would be able to adapt to a completely different lifestyle. The writer realizes the difficulty of such a task because these prospective managers and employees must be highly motivated to accept a different lifestyle. The writer realizes

the difficulty of such a task because these prospective managers and employees must be highly motivated to accept a different lifestyle and be able to finish their contracts.

Regarding the working conditions, scheduling and the time concepts generate the most restricting drawbacks. To clarify this point, the following discussion will enable the reader to understand this kind of difficulty.

In Saudi Arabia time is viewed as flexible. A Saudi businessman wants to sit and talk—get to know the person before discussing business. In larger cities in Saudi Arabia the concept of time is changing.

Punctuality is becoming more important. In short, the way an individual views the concept of time has a major impact on any business situation. If two businessmen enter a situation with complementary goals, abilities, and needs, a successful arrangement can be thwarted if each has different ideas about time. In this case, an American manager's ability to understand the concept of time in Saudi Arabia and an adjustment on his part to accomodate to such a change in the perception of time would eventually encourage more productive relationships and mutual understanding.

For management to be successful in the selection of a perspective employee they "the management" should go over the process of orientation of a manager and his family members with careful emphasis on life in the Saudi environment in each of its different components and in great detail of what is to be

expected to experience in that particular country.

In short, each member of the family must be included and briefed in the situation. In this way, the management will save time and money because in the case of selecting a possible discontented family that does not have the natural ability to adjust and adapt to a different way or environment, the company will suffer great loss and it will be clear in the manager's social behavior on the job with his fellow managers, Saudi and non-Saudi.

In the event of discontent of the manager's family because of educational needs, establishment of schools "level grade 1-12" and adult education courses might be considered within the American compounds or at the American embassy. These would benefit both the dependents and the managers who would be more content as their families are more content.

Language Barrier

Overcoming the language barrier is not only beneficial to the American manager in the business setting but also a great tool to develop one's ability to understand the thinking pattern of the host government and most of all an easier way to understand the culture itself. However, this point will be discussed in more detail in Question 17.

Question #12. From the survey results to Question #12 the composition of employee in the typical American company is made of American/Saudi/non-Saudi Arabs/European/Asians.

This gives us a clear picture of the complexity of the

interpersonal relationship of such a setting. The ethnic background of these different groups, the mix of such different backgrounds with each group having his own native language and value system makes the communication process almost an impossible task to achieve.

In this kind of setting you find the following languages: English, Arabic, French, Korean and others. Also you will probably find the following national religions: Muslim, Catholic, Protestant, Jewish, Buddhist, and many others. With this in mind, imagine the hard task of bringing all these human beings to achieve one primary goal; the company mission. Added to this, each national has a special philosophy in the priority of goals and each person within each group has his own personal goals to attain. To solve this problem is almost impossible, but a careful selection of the international employees must be a priority and special replacement tests should be initiated which must consider the natural readiness and willingness of a prospective employee to adjust and adapt to the organizational culture.

#14 - One can notice the significant similarities between the Christian faith and the Muslim faith, but the only problems that have caused arguments and disrespect were, in my opinion, political and economic reasons. People are people anywhere and in this case both faiths are so similar in philosophy and ideal, especially compared to the Jewish faith. The author would like to elaborate on this point, but it is not the purpose of this study. However, religious differences from the Muslim point of

view in no way violate or contradict the Christian faith. As a matter of fact, all the ancient prophets names and tales are the same in both faiths. The only fundamental difference is whether or not Jesus is the Son of God. Personally, I think the main issue is not whether or not He is the Son of God. Here the question is one of principles for which both stand, and they are the same.

So if we agree with the preceding thought or idea, one can find no problem between Christianity and Islam, and the only problem is the stereotype of propaganda and the news media that effects this ideal relationship.

However, the Saudi management must educate its fellow employees to the simple fact that it is not the tradition of Muslims to disrespect the Christian faith or the Jewish faith. The three monotheistic religions; Judism, Christianity, Islam. This must be done in order for mutual appreciation to take place.

Questionn #16. The existence of negative attitudes on the part of the Saudis and the Americans has a severe impact on the overall internal environmental forces of the company because in this kind of operation which is characterized by being multicultural, the harmony of respecting each other's perspective and personal goals is highly sought. It helps not only the individual personal gains but also plays a great role in achieving the company goals.

The reader will notice this kind of problem is difficult to overcome because it has many factors involved in its existence. Such factors as the political philosophy an individual

has or cultural value systems which contradict or vary differently from the others, also the economical upbringing of an individual might have a great influence upon his own belief system. This problem exists in the hard core of ethnocentrism that many nations derive from its own cultural heritage.

However, the only thing that can be suggested to deal with this complicated issue is an educational process to be initiated to help educate these different employees in respecting and appreciating others as if they would want others to respect them. there must be an attitude change by changing the basic perspective and accept the basic facts that this kind of operation should be of mutual benefit, the Saudis need the management and the technology and the Americans gain more experience in their field while making extra money!

Question #17. Because of the complex structure of the multinational corporation and the various cultures that make up the company, the encouragement of social interaction among different employees, may be sharing in sports activities that bring them together where they can share ideas, could bring about better harmony. Organized trips to scenic areas or national monuments or informative lectures would be another way to educate the foreign manager in the ways and cultures of the Saudis.

Also in the selection process a complete and careful detail of the working conditions and regulations must be furnished to the prospective employee; again the ability to understand these facts and the willingness to adjust to the environment is a must in order for the employee to get the assignment in Saudi Arabia.

This careful examination of the business environment by the perspective manager will enable him to understand and appreciate its difference which leads to a better performance on the job and less complaints.

Adjustment to the Language Problem

Understanding the culture of the Saudi society involves realizing the importance of its language, since language is the pride of any nation for it is derived from its heritage and ancient history. With language people are able to communicate and exchange ideas and thoughts which in turn can be converted to practical use for mutual benefits. For a foreign businessman doing business in Saudi Arabia or any other part of the world, language represents a fundamental liability and causes problems in communicating and understanding the society with which he deals, especially if he has to deal with this society and its different social classes from local managers, ordinary labor and the host government.

Even though Saudis are in great need of Western technology and experience in modern management, the Saudi as an Arab has a great attachment and love of his native language, Arabic, and this might affect his attitude towards foreigners that cannot understand his language. The author does acknowledge the difficulties that some individuals face when they try to learn a different language, but perhaps a limited knowledge of the very basic meaning and expression will put the American manager in a more friendly frame of mind and eventually will better the mutual

understanding of cultures. It will be in a limited area but nevertheless it would enhance a more positive perspective on the American's part.

Question #18. The problem of communication would best be solved by oral and written forms being further illustrated by graphic representation concepts and ideas not fully comprehended make for difficulties in implementation. Also, by using messages in both languages by a business oriented translator.

Question #22. In order to avoid most of the conflicting issues that affect most of the multinational corporations in Saudi Arabia, the challenge for the American company management is choosing an overseas manager. The manager who will work in Saudi Arabia or any other place needs cross-cultural orientation. The qualifications essential for the successful change agent as cited by R.A. McGonigal in his doctoral dissertation, "A Model for the Cross Cultural interaction Training of Adults" are listed in part below:

1. empathy - the ability to project one's self into another's role in order to help them
2. self-awareness - an awareness of where you are, where you came from and who you are
3. role differentiation and reversal - the ability to be flexible in required roles
4. low dogmatism - the effective change agent must recognize and appreciate differences
5. tolerance for ambiguity - the tendency to perceive ambiguous situations as desirable rather than threatening
6. regard for equality - the ability to view others as his or her equal
7. non-verbal communication - the ability to communicate using facial expression, gesture, body position and movement
8. self-esteem - a positive self image

In order to face the basic issue of the style or posture of the person who is going to work in another country, the writer feels the following questions should be asked and training added in preparing the U.S. employee for foreign assignments:

1. Is he or she culturally sensitive?
2. Is he or she an accepting person able to deal with uniquely different people?
3. Does he or she know how to build trust?
4. Can or do they have high observation skills?
5. Can they deal easily with many different cultures within the same organization such as in the multinational operating in Saudi Arabia?
6. Can they, the managers, be sensitive and sincere to the needs of the host country?
7. Can we afford to create an opportunity for the prospective employee to live in any other place with the same hypothesis or assumption that cultural conditions will be similar?

These and many other questions could make it easier for the American organizations operating in Saudi Arabia to identify the problems they face with the organizational structure in order to develop better training programs for each location. This training program covering many different cultures will be a very complex program and needs active structural investigation and ample time to work.

Another aspect the American business manager needs to consider is the difference in planning on the domestic level as

compared to planning on the international level. This is depicted in Table IV, which will give the reader an overall image of such an operation.

TABLE IV

DOMESTIC VS. INTERNATIONAL PLANNING

Summary

- | | |
|--|---|
| 1. Single language and nationality | 1. Multilingual/multinational/multicultural |
| 2. Relatively homogenous market | 2. Fragmented and diverse market |
| 3. Data available, usually accurate and collection easy | 3. Data collection a formidable task, requiring significantly higher budgets and personnel allocation |
| 4. Political factors relatively important | 4. Political factors frequently vital |
| 5. Relative freedom from government interference | 5. Involvement in national economic plans, government influences business decisions |
| 6. Individual corporation has little effect on environment | 6. "Gravitation" distortion by large companies |
| 7. Chauvinism helps | 7. Chauvinism hinders |
| 8. Relatively stable business environment | 8. Multiple environment, many of which are highly, unstable but may be highly profitable |
| 9. Uniform financial climate | 9. Variety of financial climates ranging from over conservative to wildly inflationary |
| 10. Single currency | 10. Currencies differing in stability and real value |

FOOTNOTES

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29 Ibid., p. 11.

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31 Ibid., p. 89.

32 Al-Farsy, Saudi Arabia: A Case Study in Development, p. 11

33 Viola, The Development of Human Resources: A Case Study of the United States-Saudi Arabian Cooperation, p. 35.

34 Saad Eddin Ibrahim, The New Arab Social Order (Boulder, Colorado: Westview Press Inc., 1982) p. 97.

35 Ibid., pp. 98-99.

36 Ibid., pp. 99-122.

37 A. J. Almaney, Business Horizon, Sept.-Oct., 1982, p. 1.

38 Prof. Medhi Bazargan, Work and Islam (Houston, Texas: Fee Islamic Literature, Inc. (Fillinc), 1979), p. 40.

- ³⁹Ibid., p. 45.
- ⁴⁰Ibid., p. 46
- ⁴¹Ibid., p. 47
- ⁴²Ibid., p. 49
- ⁴³P. Wright, Organizational Behavior in Islamic Firms, Management International Review 21, No. 2:86-81.
- ⁴⁴Ibid., pp. 87-88.
- ⁴⁵Larson L. Jensen, Marketing in Saudi Arabia , Overseas Business Reports, December, U.S. Department of Commerce Industry and Trade Administration, p. 8.
- ⁴⁶Almaney, Business Horizon, "Cultural Traits of the Arab," Sept.-Oct., 1982, p. 6.
- ⁴⁷Ibid., p. 13.
- ⁴⁸Ibid., p. 15.
- ⁴⁹Ibid., pp. 16-17.
- ⁵⁰Dr. Madani A. Alaki, Business Administration in the Saudi Environment, Jeddah Dar Al Shoroug, 1979, p. 132.
- ⁵¹Ibid., p. 134.
- ⁵²Abraham H. Maslow, "A Theory of Human Motivation".
- ⁵³Alaki, Business Administration in the Saudi Environment, pp. 92-95.
- ⁵⁴Ibid., pp. 101-105.
- ⁵⁵Jensen, Marketing in Saudi Arabia, pp. 20-21.
- ⁵⁶Philip R. Harris, Robert T. Moran, Managing Cultural Differences (Houston, Texas: CUP Publishing Company, 1979), p.239.
- ⁵⁷Ibid., p. 240
- ⁵⁸Please see result of survey.
- ⁵⁹The writer of this project worked in Aramco during the summer of 1980-1981 as a student employee in the maintenance department.
- ⁶⁰Peter Drucker, Marketing in a Turbulance Time (New York, New York: Harper Row Publishing Company, 1980), p.194.

APPENDIX A

⁶¹ David L. Dotlich, Training and Development Journal
International and Intracultural Management Development, October
1982, p. 26.

⁶² Ibid., p. 27

The writer recognizes that some of the questions might be sensitive to some of you. Although these findings are to be presented in the project, the author would like to assure you of complete confidentiality. However, the writer would like feedback suggesting new or different questions addressed to the American manager in Saudi Arabia concerning his/her unique problems that the author has not covered in this questionnaire.

Thank you.

APPENDIX A

Introductory Command: This questionnaire is a part of the
Culminating Project towards a Masters Degree in Administration.

The writer recognizes that some of the questions might be
sensitive to some of you. Although these findings are to be
presented in the project, the author would like to assure you
of complete confidentiality. However, the writer would like
feedback suggesting new or different questions addressed to the
American manager in Saudi Arabia concerning his/her unique
problems that the author has not covered in this questionnaire.

Yes _____ No _____

Thank you.

If yes, for what reason were you in Saudi Arabia?

- a. _____ To work as a consultant with a government agency
- b. _____ To work as a consultant with an American company operating in Saudi Arabia
- c. _____ Other (please specify)

6. Did you accept assignment in Saudi Arabia because of:

- a. _____ Salary
- b. _____ Quota assignment
- c. _____ Better advancement in the company
- d. _____ To gain experience in a certain field
- e. _____ Other (please specify)

7. Would you tell us what was the nature of operation of the company in Saudi Arabia?

APPENDIX A

- a. _____ Service
b. _____ Distributor
c. _____ Sales
d. _____ Manufacturing/Assembly
e. _____ Training (Army/Non-Army)

QUESTIONNAIRE

1. Name of Company _____

2. Address _____

3. Name and Title of Individual Completing Questionnaire _____

4. Have you ever been in Saudi Arabia?

Yes _____ No _____

If yes, what year? _____

5. Do you have knowledge of your Saudi Arabian operations?

Yes _____ No _____

If yes, for what reason were you in Saudi Arabia?

- a. _____ To work as a consultant with a government agency
b. _____ To work as a consultant with an American company operating in Saudi Arabia
c. _____ Other (please specify) _____

6. Did you accept assignment in Saudi Arabia because of:

10. After being in Saudi Arabia, have you changed your attitude toward the people and the life?
- a. _____ Salary
b. _____ Culture enrichment
c. _____ Better advancement in the company
d. _____ To gain experience in a certain field
e. _____ Other (please specify) _____

If yes, in what way did you change? _____

- e toward the people and the life

11. In your opinion, what was(is) the major problem(s) that face the American manager and/or employee in Saudi Arabia?
- a. _____ Religious attitude of nationals
 b. _____ Social freedom: "liquor, entertainment, etc."
 c. _____ Working conditions: "laws and regulations"
 d. _____ Climate
 e. _____ Language
 f. _____ Customs and tradition
 g. _____ Your own family: "wife and children"
 h. _____ Other (please specify)

Please comment: _____

12. Can you tell us about your company's composition of employees, management or non-management?

15. Did you find the Saudi managers had good communication?
- a. _____ Americans/Saudi nationals
 b. _____ Americans/Saudis/Non-Saudi Arabs
 c. _____ Americans/Saudis/Non-Saudi Arabs/Europeans
 d. _____ Americans/Saudis/Non-Saudi Arabs/Europeans/Asians

13. Did you have Saudi managers in your operations?

Yes _____ No _____

If yes, how would you evaluate your relationship with the Saudi managers and/or employee?

16. In your opinion, how would you evaluate the following
- Poor _____ Neutral _____ Excellent _____

1 2 3 4 5 6 7 8 9 10

Please comment: _____

True _____ False _____

Some Saudi nationals say, "The foreign laborer only comes to Saudi Arabia to meet his/her personal objectives and does not care about this country's well-being."

True _____ False _____

14. In your opinion, do you think there are negative attitudes from fellow Saudi managers (or non-managers) towards the culture and religious background of Americans in the operation?

Yes _____ No _____ Don't Know _____

Please comment:

a. _____
b. _____
c. _____
d. _____

Please comment:

What about other foreigners working at the operation?

15. Did you find the Saudi managers had good communication skills?

Yes _____ No _____

Please comment:

19. Do you have any ideas in which way(s) American companies working in Saudi Arabia can improve the communication process between American managers and nationals? Please comment:

16. In your opinion, how would you evaluate the following statements?

A Saudi manager only cares about the transfer of technology from the West to his country and doesn't care about the people providing the information.

20. In your opinion, do you think there is a conflict between the cultures of employees represented in the company in their personal goals and

True _____ False _____

Some Saudi nationals say, "The foreign laborer only comes to Saudi Arabia to meet his/her personal objectives and does not care about this country's well-being."

Please comment:

True _____ False _____

17. What are your most difficult operational concerns, vis-a-vis personnel in Saudi Arabia? (Number 1, 2, 3, with #3 being the most difficult.)

- a. _____ Language barriers and/or cultural difference among foreign labor
- b. _____ Adjustment of business practices to the religious dictates of the country
- c. _____ Development of Saudi personnel who will stay with the company
- d. _____ Serving educational and cultural needs of employees and their dependents

Please comment:

22. _____

18. Would you tell us, in communicating new regulations or instructions or even day-to-day working procedures to Saudis and others, did you use the medium of:

- a. _____ Direct communication (oral)
- b. _____ Written
- c. _____ Other (please specify)

19. Do you have any ideas in which way(s) American companies working in Saudi Arabia can improve the communication process between American managers and nationals? Please comment:

20. In your opinion, do you think there is a conflict between the different cultures of employees represented in the company in their personal goals and objectives and the objectives set by the company?

Yes _____ No _____

Please comment:

21. During your length of assignment in Saudi Arabia, can you estimate how many Saudi nationals were working in top executive positions?

a. Under 5
 b. Between 5 and 25
 c. Between 25 and 50
 d. Between 50 and 75
 e. 20% of overall

2. Please comment:

3. Name and Title of Individual Completing Questionnaire

22. In your opinion, do you think that the difference between the American culture and the Saudi culture in educational systems, politics, history, religion and philosophy affects managers as individuals in the decision process?

Yes No

Please comment:

5. Do you have knowledge of your Saudi Arabia operations?
 a. 10 Yes b. 2 No c. 1 No answer

If yes, for what reason were you in Saudi Arabia?
 General comments:

- a. 2 To work as a consultant with a government agency
 b. 14 To work as a consultant with an American company operating in Saudi Arabia
 c. 17 Other (please specify)
5 Staff member of company contracted to American
4 Management for joint venture company
2 Company under contract to KSA on management service
2 No explanation
4 Combination of A and B

6. Did you accept assignment?
 a. 13 Salary
 b. 3 Culture enrichment
 c. 6 Better advancement
 d. 7 To gain experience in a certain field
 e. 4 Other (please specify)
3 To make money for my company and gain experience
1 No answer

Thank you for taking the time to answer this questionnaire. Please return it in the self-addressed enclosed envelope.

APPENDIX B

RESULTS OF SURVEY

1. Name of Company _____
2. Address _____
3. Name and Title of Individual Completing Questionnaire _____
4. Have you ever been in Saudi Arabia?
 a. 33 Yes b. 0 No c. 0 No answer
 If yes, what year?

1976-1984 (8 yrs.)	<u>3</u>
1977-1981 (4 yrs.)	<u>12</u>
1977-1984 (7 yrs.)	<u>3</u>
1978-1981 (3 yrs.)	<u>4</u>
1979-1983 (4 yrs.)	<u>2</u>
1980 (2 wks.)	<u>2</u>
1981-1982 (1 yr.)	<u>3</u>
1982-1984 (2 yrs.)	<u>4</u>
5. Do you have knowledge of your Saudi Arabia operations?
 a. 30 Yes b. 0 No c. 3 No answer
 If yes, for what reason were you in Saudi Arabia?

a. <u>2</u> To work as a consultant with a government agency
b. <u>14</u> To work as a consultant with an American company operating in Saudi Arabia
c. <u>17</u> Other (please specify)
<u>5</u> Staff member of company contracted to Aramco
<u>4</u> Management for joint venture company
<u>2</u> Company under contract to KSA on management service
<u>2</u> No explanation
<u>4</u> Combination of A and B
6. Did you accept assignment in Saudi Arabia because of:

a. <u>13</u> Salary
b. <u>3</u> Culture enrichment
c. <u>6</u> Better advancement in the company
d. <u>7</u> To gain experience in a certain field
e. <u>4</u> Other (please specify)
<u>3</u> To make money for my company and gain experience
<u>1</u> No answer

7. Would you tell us what was the nature of operation of the company in Saudi Arabia?
- a. 10 Service
 - b. 0 Distribution
 - c. 0 Sales
 - d. 0 Manufacturing/Assembly
 - e. 4 Training (Army/Non/Army)
 - f. 19 Other (please specify)
 - 9 Construction/Engineering
 - 3 Providing technical and managerial exertion to Aramco
 - 4 Combination of B and C
 - 3 No answer

8. Where have you gained information about Saudi Arabia?
- a. 11 Newspaper and/or magazines
 - b. 11 From your company
 - c. 4 Fellow Americans who had worked in Saudi Arabia
 - d. 1 Through an informative lecture
 - e. 6 Other (please specify)
 - 3 Saudi nationals, available books
 - 3 No answer

9. In your opinion, do you think Americans have a general predetermined conceptual attitude towards Saudi culture and its national religion?
- a. 24 Yes b. 7 No c. 2 No answer

If yes, would you tell us what it is? (Most of the answers of the 24 people can be summarized as follows.)

Some see Saudis as backward in cultural and social aspects with a lack of innate intelligence and others see Saudi culture as uncompromising, very nationalistic and a very severe existence with unlimited funds. Saudi Arabia is also seen as a closed, regressive society that views foreigners suspiciously.

10. After being in Saudi Arabia, have you changed your opinion or attitude toward the people and the life in Saudi Arabia?
- a. 20 Yes b. 3 No c. 10 No answer

11. If yes, in what way did you change?
- a. 15 Positive change e. 4 Negative change
- f. 1 No change

General comments were summarized on the following points:

The more one learned about Saudi religion, culture and history, the more positive understanding there was for their perspective feelings towards the Saudi people, but were negative towards the government's attitude and still unhappy about religious intolerance. They also felt that the Saudi people had made tremendous progress in spite of cultural hold-ups.

11. In your opinion, what was(is) the major problem(s) that face the American manager and/or employee in Saudi Arabia?
- a. 2 Religious attitude of nationals
 - b. 6 Social freedom: "liquor, entertainment, etc."
 - c. 6 Working conditions: "laws and regulations"
 - d. 1 Climate
 - e. 4 Language
 - f. 4 Customs and tradition
 - g. 5 Your own family: "wife and children"
 - h. 5 Other (please specify)
 - 4 Over-protection of national employees
 - 1 No answer

General comments:

- a. 15 Social forces, customs, traditions and emotions seem a very important part of making decisions and general work ethics.
- b. 8 Social restrictions are even harder on the foreign wives.
- c. 10 No comment

12. Can you tell us about your company's composition of employees, management or non-management?

- a. 4 Americans/Saudi Nationals
- b. 4 Americans/Saudis/Non-Saudi Arabs
- c. 4 Americans/Saudis/Non-Saudi Arabs/Europeans
- d. 21 Americans/Saudis/Non-Saudi Arabs/Europeans/Asians

13. Did you have Saudi managers in your operations?

- a. 25 Yes b. 4 No c. 4 No answer

If yes, how would you evaluate your relationship with the Saudi managers and/or employees?

- d. 7 Negative attitude towards non-Westerners for labor only
- e. 6 Declined to comment

15. Poor Neutral Excellent
 1 2 3 4 5 6 7 8 9 10

From those who answered this question:

- a. 8 Were rated #5
 b. 3 Were rated #7
 c. 14 Were rated #8
 d. 8 Were rated #10

General comments: (See question #13)

- a. 2 Some were good managers, others were not
 b. 5 Generally good--frustrated by the failure of a few to do the work assigned to them or to work a full day, and their arrogant attitude towards being told what to do.
 c. 3 Saudi managers were well educated but lack experience
 d. 23 Declined to comment
14. In your opinion, do you think there are negative attitudes from fellow Saudi managers (or non-managers) towards the culture and religious background of Americans in the operation?
 a. 16 Yes b. 6 No c. 8 Don't know
 d. 3 No answer

General comments:

17. What are your most difficult operational concerns?
 a. 5 Not hostile, but a feeling that Americans were not to be trusted
 b. 4 Very little tolerance of our religion and culture
 c. 6 Lack of understanding of the Arab mind and perspectives
 d. 1 Never heard any negative expressions by Saudi managers regarding Americans
 e. 2 Felt they tried as hard to understand our religion and culture as we did theirs
 f. 15 Declined to comment

18. What about other foreigners working at the operation? (See question #14)
 a. 7 Not sure
 b. 5 Felt non-Westerner seemed to identify more easily with the Saudi perspective
 c. 8 Generally respect each other's religion and culture
 d. 7 Negative attitude towards non-Westerners for labor only
 e. 6 Declined to comment

15. Did you find the Saudi managers had good communication skills?
 a. 13 Yes b. 4 No c. 16 No answer

General comments:

- a. 5 Many do utilize American business analiza-
 tion of problem or problem solving techniques
 b. 2 Due to language problem
 c. 2 An excellent job communication outside
 their native language
 d. 8 Occasional problems comprehending reports
 written in English
 e. 16 Declined to comment
16. In your opinion, how would you evaluate the following
 statements?

A Saudi manager only cares about the transfer of
 technology from the West to his country and doesn't
 care about the people providing the information.

- a. 18 True b. 10 False c. 5 No answer

Some Saudi nationals say "the foreign laborer only
 comes to Saudi Arabia to meet his/her personal ob-
 jectives and does not care about the country's well
 being.

- a. 19 True b. 8 False c. 6 No answer

17. What are your most difficult operational concerns,
 vis-a-vis personnel in Saudi Arabia? (Number 1, 2,
 3, #3 being the most difficult.)
 a. 10 Language barriers and/or cultural difference
 among foreign labor
 b. 11 Adjustment of business practices to the
 religious dictates of the country
 c. 5 Development of Saudi personnel who will
 stay with the company
 d. 4 Serving educational and cultural needs of
 employees and their dependents
 e. 3 No answer

18. Would you tell us, in communicating new regulations
 or instructions or even day-to-day working proce-
 dures to Saudis and others, did you use the medium of:
 a. 5 Direct communication (oral)
 b. 7 Written
 c. 21 Other (please specify)
16 Combination of A and B
5 Combination of A and B, plus graphic pre-
 sentation

d. 24 Declined to comment

19. Do you have any ideas in which way(s) American companies working in Saudi Arabia can improve the communication process between American managers and nationals?

a. 20 Yes b. 13 No answer

General comments from those who answered yes:

a. 12 More language training, orientation and interaction both working and socially

b. 8 Employment of more western educated Saudis

20. In your opinion, do you think there is a conflict between the different cultures of employees represented in the company in their personal goals and objectives, and the objectives set by the company?

a. 10 Yes b. 15 No c. 5 Don't know

d. 3 No answer

General comments:

a. 8 Felt foreigners were there to make money and complete work assignments as quickly as possible

b. 25 Declined to comment

21. During your length of assignment in Saudi Arabia, can you estimate how many Saudi nationals were working in top executive positions?

a. 5 Under 5

b. 6 Between 5 and 25

c. 4 Between 25 and 50

d. 0 Between 50 and 75

e. 9 20% of overall

f. 9 No answer

22. In your opinion, do you think that the difference between the American culture and the Saudi culture in educational systems, politics, history, religion and philosophy affects managers as individuals in the decision process?

a. 22 Yes b. 11 No c. 0 No answer

General comments:

a. 3 Basic problem is lack of experience and communication skills

b. 3 Religion demands adherence and destroys any analytical thought pattern

c. 3 The Saudi sometimes is reluctant to make decisions alone, but once made, he will refuse to change it even if proven wrong

d. 24 Declined to comment

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