

SAUDI ARABIA CULTURE NOTES

These notes are designed to support and complement existing cultural information available through the UKTI posts in Russia (see www.rln-east.com/culture). They are based on both an interview in July 2006 with a trade team colleague from UKTI East of England who possesses considerable experience in Saudi Arabia, and notes from a staff visit to the Kingdom in October 2007.

They provide a valuable insight into the experience of a UK business trading over a 17-year period with Saudi Arabia. It is meant as a case study which could help UK business visiting Saudi for the first time, and is designed to supplement the official generic cultural information found in the country section of the UKTI website www.uktradeinvest.gov.uk. The report gives an indication of what business life is like "on the ground" as opposed to official reports available in the public domain, and we request that the reader respects the confidentiality with which this information is given.

A further useful guide is the publication by the Cranfield academic Dr Jehad Al-Omari entitled "The Arab Way – How to work effectively with Arab cultures" (HowtoBooks, Oxford, 2005). Do also have a look at the website www.executiveplanet.com which contains useful cultural information on Saudi Arabia under 11 different headings.

John, how much time have you spent in Saudi Arabia?



My first visit was in 1984 and I last went 2001. I used to go there once every 6 weeks, first selling agricultural equipment, and then from 1987 to 2001 selling hospital equipment such as intensive care units, incubators and infusion pumps. I was working for Vickers' medical division.

What was the logic for constantly travelling rather than residing there?

I tended to go sporadically - often there would be periods where I wouldn't go for months, and tenders could come about at different times but was tender business, so the irregularity meant it was not worth living there, and in any case the company felt it didn't merit being offered relocation. To be honest, I felt Dubai to be a much nicer place to live and from which to service Saudi, and it's relatively easy to

service Saudi from Bahrain or Dubai, although many Saudis appreciate a local presence.

What were your first impressions when you arrived in Saudi?

Two things really – it was intensely hot, so if heat is problem for you, then that’s something to watch out for, as it can be hottest place in world, and physically demanding it is dry heat in Riyadh and not as oppressive as on the coast, winters are pleasant. On the other hand, every single building is air conditioned, so don’t need to worry about the weather Secondly, the infrastructure seemed very sophisticated, for instance in Riyadh the roads felt similar to Houston, with highways and a good transport network. There are three major population centres – Riyadh, then Jeddah (the commercial capital) on the west coast – this is a more relaxed city- then closer by is Mecca Medina which Christians can’t visit. Try not to go during Haj or Ramadan, as it can be difficult to do business with people who are fasting. Finally, there are Dammam, Dhahran and Al Khobar on the west coast, commercial centres and oil fields, in fact the largest single oil installation in the world. (largest offshore and onshore fields in the world.



Were your business dealings mainly with Saudi citizens or expatriates?



We always dealt with expatriates – the first Saudi we met tended to be at the airport, and then we wouldn’t generally meet other Saudi citizens until back at the airport again at passport check. It is not uncommon not to see Saudi businesspeople, and the vast majority of people working there are expatriates. Their nationalities varied depending on political circumstances - first there were frequent expatriates from Palestine, then Yemenis, now Philipinos and Egyptians. Many senior roles are held by Irish, British or American staff, as are many technical roles, but much of the workforce tends to consist of Bangladeshi, Pakistani staff and also Indians from Kerala.

What factors contribute to this large number of expatriate workers in Saudi Arabia?

There were not enough Saudi citizens to achieve the rapid growth which the country was experiencing when I was there. An infrastructure was built which they couldn't maintain themselves, and the level of education was poor, and in fact still remains poor. Unemployment remains high amongst young Saudi people, as many are not qualified to the level required by many jobs, and there are also many jobs they simply do not want to do.



Usually a head of department is Saudi, but the staff performing everyday operational functions are not. There are plans to Saudiise certain services. I rarely met a Saudi, and to be honest the process of Saudiisation goes in fits and starts and can only go as fast as circumstances will allow.

How does this process compare to other countries, such as Oman?



In Saudi Arabia it is done by sector but has been less successful than in other Gulf countries, and this is more to do with the nature by which it is run. There has also been no increase in education to fund needed skills. Oman is completely different, as the education system there is very good. This inefficient system is basically maintained on a sea of wealth. (Oman also uses its Baluchi and Zanzibari citizens to fill Omanised posts)

Everything you touch, eat, see etc is imported, and there is very little domestic production, which was one of the reasons why we sold lot of neonatal intensive care equipment! Statistics about the Saudi population vary enormously, but there are roughly 10 million expatriates and 10 million Saudis, although until recently 50% of these are women who play virtually no role in commercial life. In more recent times women often run the business side of Saudi entities and are becoming increasingly evident in major businesses but still a very slim minority.. All the ministries are run by Saudis, and there are more Saudis in ministerial functions.

Don't be worried about doing business in Saudi Arabia, as Saudi is an easy place to do business (OECD has it now in the top ten for ease of doing business). The economy is well regulated _ I think Napoleonic

law governs commercial law and arbitration is available through the UN (UNCITRAL). But you can only win battles in the commercial world you will never win wars so avoid litigation if at all possible. My experience of doing business there has been quite pleasant. Also, the food was good, the infrastructure was good, the demand for UK products and services is very much there. Main working hours are usually in the mornings and evenings, and the weekend is Thursday and Friday. The private sector will also work on Thursday morning. Expatriates usually live in compounds, and are left to their own devices. There is no system of alcohol licences, and alcohol is not permitted whatsoever. From my experience, the money was good and the work was good, although Saudi is not big on entertainment, and socially it can be tedious!

And can you tell us about the basic legal systems expatriates should be aware of?

“Wahabism” is a form of Islam, and is a literal interpretation of the Koran. It is ‘an’ interpretation of the Koran but most Muslims, even most Saudis believe it is a corruption. It thrives only because of an 18th century allegiance with the House of Saud and the UK’s support for Ibn Saud against the Hashemites. There is also Sharia law and two types of police - the Mutawa (or religious) police and the civil police. If there is a legal dispute, it is all governed by Saudi law, and you would not want to find yourself in a court case with them, so it is best to settle all matters out of court.



How much English is spoken, and do UK business visitors need to learn Arabic before going to Saudi?



A handful of words in Arabic was enough, as for day-to-day functioning everyone speaks English. Everything is in English, so I was never in a situation where I needed to speak Arabic, unless I met the head of a family, which as usually at the signing of a contract. Saudi companies are run by families, and the head of the family will have younger sons, who are often educated abroad, and it is these sons who will run the company. Don't

worry about protocol, as long as you are polite and respectful. Communication was easy, the sales force were expatriate, so everything was done in English. Even the labels were in English, as it was the expatriates who would be the ones operating our equipment.

What main difference in business culture spring initially to mind?



Business is more personal rather than just, for example, quarterly returns, and families can run companies with multiple interests. One company we dealt with was big both in banking and the medical trade – if you are bidding in government tenders, it is a good idea to have an agreement with a commercial family, as the ministries

often do not pay on time, and only trading families can hold large amounts of debt. A promissory note is provided by the ministry which any bank would honour. Only large trading families can do this, though, so it is important to understand the family you are dealing with and how well connected and financially sound they are, particularly if you are dealing with government tenders.

Do due diligence on your distributor. It is also important to work out what range of products that distribute has. Some have many divisions – my distributor had 169 agencies, of which I was just one, so my competition was also the other products they were selling. Guest worker salesmen are heavily motivated by commission, and you can get lost in the portfolio so to speak, so you need to understand where you are in relative pecking order of thing. Letters of credit are advisable, even when dealing with distributors you have known for many years.

What about contracts – are they in Arabic or English?

Good point – I'm not sure, but generally speaking ministerial contracts are in English, as they are tendered abroad. Everything must go through local representative, so at first sight it seems to be a country of middlemen and intermediaries. You will find Saudi lawyers, and many Saudis work in the



public sector, with many benefits such as housing guaranteed just by birthright. "Iguama" is a work permit scheme. There is a power relationship at play with Saudi senior staff, and these managers are deferred to at work, as the families could technically revoke your "iguama", so there is often a reluctance to take risks amongst senior expatriate managers because of that. You cannot get things to move fast, but the families do have money for things going over budget. They can, however, pull the plug on things if go over budget. It's not the wild west, and as long as are sensible you can do business there. It can be lucrative and enjoyable, but there are forces at play within the ministries that could stop if you're not careful.