

Examining Social Customs And Business Practices Of Saudi Arabia Business Firms

Posted on October 2, 2018

Introduction

Saudi Arabia is a deeply religious, culturally conservative country located largely within the Arabian Desert and is an influential state in the Middle East and Arab world. The General Authority for Statistics estimated the country's population at approximately 35.3 million in 2024. The older claim of 32.5 million people and the simplified 90% Arab/10% Afro-Asian breakdown should not be presented as a current official demographic profile. The capital is Riyadh, Arabic is the official language, and Islam is the state religion. The country boasts as the father of Islam since Islam was born in Saudi Arabia, and it harbors the most treasured mosques in the Islamic world. The country lies on a geographical land of 2.24 million square kilometers. The country is governed by a monarchy system of government. Saudi Arabia has the second largest oil reserves, and the country's economy depends on oil production. The country's currency is known as Saudi Riyal. The government controls the oil firms in Saudi Arabia. Also, Saudi Arabia is one of the world's oil exporter countries globally. Thus, the country not only has an influence on the Middle East but also on the world (Ibrahim et al., 613). Therefore, this paper focuses on examining the social customs and business practices of Saudi Arabian business firms and the results of these practices. First, I need to understand what it means to conduct business in Saudi Arabia. Second, what are the factors that make a business successful within Saudi Arabia? The factors to discuss include political influence and connections, social customs context, petrochemical-associated wealth, tourism and hospitality industries, social business, construction, and climate control businesses.

Saudi Arabia's Economic Background And Business Environment

Saudi Arabia is one of the largest economies in the Middle East. The country is home to one of the largest manufacturing companies in the world. SABIC manufacturing country is the world's fourth largest diversified manufacturing company (Habbash et al., 353). The company specializes in the manufacturing of petrochemical products such as chemicals and intermediates, industrial polymers, fertilizers, and metals. Another industry that has been a business success in Saudi Arabia is the oil industry. The Saudi Arabian Oil Company is a national petroleum and natural gas firm. The country's oil and manufacturing industries have been the biggest contributors to the GDP of the country for many years. The country's dependence on oil and manufacturing industries is changing. The biggest industries in the country are oil-related businesses such as crude oil production and refining,

chemicals-related businesses such as the production of fertilizers, plastics, sodium hydroxide, etc, as well as construction materials industries such as the production of ship and aircraft metals (Habbash et al., 360).

Therefore, the country's manufacturing businesses have major influences on the country's economy; however, this dependence on this industry is changing. The country's food industry is now playing an important role in the country's economy. The success of the AL Baik fast food chain company in Saudi Arabia shows that the country's economy is changing. Al Baik is a food chain Company that sells roasted chicken. Therefore, the company is the biggest chicken market in the country. The growth of this company has shown that the country's economy has opened up for other businesses rather than the normal petrochemical industry. Al Baik started small businesses but has expanded all over Saudi Arabia. Similarly, Saudi Ground Services Company has contributed to the economic growth and diversification of Saudi Arabia's economy (Habbash et al., 373). The company offers handling services to the country's commercial airports. The company's services include passenger services and other related flight services. The company provides services to both local and foreign flights. These companies create employment for the Saudi Arabian people, which then contribute to economic growth. Also, the tourism and hospitality industries have been key to the country's economic growth. Thus, all businesses and industries have contributed to economic growth in one way or the other. Therefore, the Saudi Arabia business environment has opened up for other businesses. These companies are changing the notion that the country depends on petrochemical industries. However, there are business practices and social customs that are associated with successful business in Saudi Arabia.

The Requirement For A Successful Business In Saudi Arabia

In order to run a successful business in Saudi Arabia, it is important to understand the country's business environment. Understanding people's cultures, ways of life, and the way they deal with their environment is important for running a successful business. Therefore, evaluating the political, social, religious, and economic status of Saudi Arabia will help you in running a successful business. The requirements for a successful business include:

Political Connections

A political connection is a concept that describes a person or an entity that has a close relationship with government officials, especially those in a position of power. There are arguments that many successful businesses in Saudi Arabia have a relationship with the people in positions of power. Thus, the owners of the businesses either have a close relationship or an understanding with those governing the country. Therefore, political connections have facilitated business success in Saudi Arabia. There is a notion that having a close relationship with the people in political power can assist

in making your business successful. This notion applies not only to Saudi Arabia but also to other countries in the world. This is because people in political seats are the ones responsible for making economic policies. In Saudi Arabia, people with political influences and legislative authorities have often contributed to the success of businesses that have an interest in either having a relationship with the owner or the business owner. Thus, people in political seats in Saudi Arabia offer financial support and provide investment opportunities to businesses and companies with which they have a personal connection. The country's political and economic history is characterized as a society that supports business development and capitalist agendas. Thus, the country history is that prior to the current government system, the influential traders did local business to provide services to society, as well as to construct infrastructure for the people of Saudi Arabia. Consequently, the government has assumed the role of these influential traders in Saudi Arabia today's society. Thus, political leaders provide financial support and offer mentorship to companies that provide community services with the aim of developing the country. Therefore, these leaders mentor and sponsor the companies and businesses they have connections with. Thus, for the company to be successful in Saudi Arabia, it must have political connections.

Fit To Social Customs

Fitting in the social customs of Saudi Arabian society influences the success of the business. Saudi Arabia has a population of about 32.5 million people, where 90% of the population are Arabs and 10% are Afro-Asian. The country's national language is Arabic, and the dominant religion is Muslim. Thus, fitting into the social norms will influence business performance. Therefore, the businesses and companies that take into consideration Muslim beliefs have a higher probability of succeeding in Saudi Arabia. Saudi Arabia is a deeply religious and culturally conservative society founded on ancient traditions. The country still values the traditional way of life; hence, the country's decisions and individual choices are guided by Islam. Therefore, companies and businesses that incorporate Muslim values into their policies and strategies have the highest opportunity to succeed in Saudi Arabia.

Petro-Chemical Wealth

Saudi Arabia is one of the biggest exporters of oil in the world; thus, companies in the petrochemical industry benefit most from government support. Saudi Arabia's economy depends on the oil industry. The country is one of the leading countries with the biggest crude oil reserves. Thus, the country depends mostly on oil production and sales. However, in recent times, world oil prices have reduced significantly. This has caused a problem in the country's economy. In response to these challenges, the government has increased taxes on other products to maintain equilibrium in the economy. Therefore, the oil production and petrochemical-related industries play an important role in the country's economy. Hence, the Saudi Arabian government sponsors these companies with cash and mentorships. Thus, the country's business practices will allow more businesses related to petrochemical products to succeed compared to other industries. The increase in taxes for other

businesses will affect the business community, which will be interested in investing in other fields.

Tourism And Hospitality Business

The tourism and hospitality industry is generating a lot of revenue in Saudi Arabia. The existence of tourist sites in the country has brought a lot of tourists to the country. The existence of pilgrims has brought people from different parts of the world to Saudi Arabia. The country boosts itself as where Islam was born; thus, people from different parts of the world visit the holy cities of Mecca and Medina. The figure of approximately 2.5 million visitors refers broadly to the scale of an individual Hajj season rather than the country's total tourism market. Saudi Arabia's official 2025 tourism results reported 123 million domestic and inbound tourists, including 29.3 million inbound visitors, with total tourism spending of approximately SAR 304 billion. The government has continuously relied on the revenue generated from people visiting as a source of the country's revenue. Due to many visitors, the government has invested heavily in hotel industries to make accommodation available for the visitors. Therefore, the opportunities in this sector are great. The hospitality industries in the country have a massive opportunity for growth. Also, the construction of hotels presents an opportunity for the business community. The \$17.6 billion figure refers to 2010 and should be treated as historical context rather than a current measure of Saudi tourism revenue. The country's major cities have a large number of hotels that are recognized internationally. These hotels accommodate visitors and their give to experience Saudi Arabia's ancient hospitality. Therefore, the hospitality industry is the selling point of the country's tourism. For instance, Jeddah city has lavish hotels that welcome millions of visitors to the country. Today, the number of tourists visiting the country has increased, increasing the demand for more hotels (Vahln et al., 65). This has led to the development of infrastructures and hotels in major cities in order to accommodate an increasing number of tourists. The country holds two of the holiest Muslim cities in the world; thus, religious tourism has been the cornerstone of tourism in the country. These cities include Mecca and Madina, where plazas have been constructed around the holy ground to accommodate the pilgrims who visit every year. Hospitality industries have experienced growth due to the number of tourists in the country. Tourism has contributed greatly toward the country's economic growth. Due to the increased number of tourists, the government has improved the infrastructure around the cities. Also, the construction of the high lavish hotels has taken place due to tourism. Still there a lot of opportunities that this industry still offers (Vahln et al, 60). Thus, the government of Saudi Arabia should consider the tourism industry as a way to diversify the economy. Therefore, the hospitality and tourism industries have contributed greatly to the economy of Saudi Arabia.

Services Businesses

The services businesses include banking, retail, and civil administration, among others. The country's services businesses have grown tremendously over the years. The services businesses account for about 70% of the labor force of Saudi Arabia employees. The growth of the economy has led to the

demand for employees in telecommunication, health sector, legal, and marketing (Kreps et al., 101). However, the progress of service businesses has been hindered by the country's cultural and societal practices and beliefs. The employees are poorly paid, and women are not allowed to work. The country has taken steps to allow women to work in the banking sector, and women are allowed to open bank accounts. Therefore, the country has taken tremendous steps to address "she" vice in society.

Construction Businesses

The government of Saudi Arabia has invested heavily in infrastructure improvement. The construction of modern roads, railways, and airports has increased in recent years. The country has a high reserve ratio of foreign currencies. Also, the country's sovereign debt is good, thus allowing the country to spend on infrastructure, causing inflation (Bishara, 249). Also, due to growth in the tourism sector, the country is investing heavily in infrastructure to improve accommodation hotels. Thus, construction companies in the industries have enormous opportunities. Therefore, construction companies have the chance to get projects that aim to improve infrastructure and buildings.

Healthcare Industry

The healthcare system in Saudi Arabia consists of the private and public sectors. Saudi Arabian citizens are treated free in government-owned hospitals. The private sector offers healthcare services through healthcare facilities. The healthcare facilities include hospitals, dispensaries, and other healthcare facilities throughout the country. The public health department in the country was established in 1925 and helped in establishing free healthcare schemes for the public since then (Bishara, 254). However, due to changing age and increasing population, the private health sector is growing faster. Therefore, people in the country rely on the private health sector for medical guidance. Therefore, the healthcare sector represents an opportunity for the business community. Although people depend on the private sector, the government still dominates the industry. The country's government has given priority to health services. For the last few years, the government has improved the health sector. The government has developed healthcare facilities across the country.

The Saudi Arabian government has a big impact on the country's healthcare. The country has developed cities that specialize in treatment services. These hospitals are located in different cities of the country. For instance, the biggest medical facility in the country is located in the capital city, Riyadh, known as King Fahad Medical (Freeman et al., 79). The hospital was opened in 2005 and offers treatment for types of diseases. The hospital has different medical personnel that have specialties in their medical field. Therefore, every city in the country has hospitals that can meet the needs of its citizens. The King of Saudi Arabia is focusing on creating world medical centers in the country, which will help in meeting the need to improve health services in the country. The medical

cities have a similar design to different hospitals it, which have 500 patient beds, a mosque, and a hotel (Freeman et al., 75). The country has two medical cities, Riyadh and Mecca. These medical cities have demonstrated the government's intentions to expand medical facilities throughout the country.

Consequently, Saudi Arabia's government is using billions to renovate and upgrade the country's healthcare facilities. The health facilities with the lower standard are being improved in the country. The country's health departments have managed to open about 77 hospitals and medical centers in the last half-century. However, the issue of nurses' professionalism has risen with the claim that they are involved in malpractice in hospitals. The government has failed to address the issue of services businesses. Therefore, the government has planned to develop more medical cities with the aim of improving the healthcare sector. Saudi Arabian citizens get medical services for free. Although the government is 100% involved in healthcare, there is a private health sector in the country that has helped to improve the country's health sector (Gabrielsson et al., 270). The construction companies will have an opportunity to build medical cities for the government

Climate Control Businesses

Saudi Arabia is a country located in the Middle East that has unfavorable weather conditions. The country lies in the desert with hot weather conditions. Thus, working in the country is a challenge due to harsh weather conditions. Therefore, the weather conditions make it impossible for people to enjoy working in the country (Gabrielsson et al., 270). The country aims to diversify its economy, and it has to address the high-temperature conditions by creating ventilation and Air conditioning instruments to help create thermal comfort. Therefore, the demand for goods that help create thermal comforts will increase. Thus, the companies that can create this thermal comfort apparatus, such as cooling towers and solar-powered absorption, have an opportunity in the Saudi Arabian market.

Social Customs And Business Practices In Saudi Arabia

Social customs are cultural or societal ideas that describe a particular behavior associated with a group of people. The social customs include the way people greet one another, like bowing or shaking hands. Business practices are the methods or procedures that certain groups of people follow or do in a business environment. Social customs and business practices have helped Saudi Arabian businessmen become successful. The customs and practices are believed to be a catalyst for successful business in the country. These social customs and business practices can be noted as factors that can help businesses to be successful in Saudi Arabia. Understanding one's customs and practices helps you in improving your interaction with them. Saudi Arabia's social customs and business practices are guided by Muslim religious practices.

Thus, religion pervades the business environment as well as the cultural environment in Saudi Arabia. Social customs emphasize a communication style that does not offend anyone, and the business individual always prefers face-to-face communication. Also, meeting organization and greeting are

part of the social customs of Saudi Arabians. Moreover, in social and business contexts, it is a good custom to give a gift. These emphases on social customs are great in the social context of Saudi Arabians and help in creating a conducive social environment for conducting business (Azmat et al., 265). The country's business dealings always happen at a much lower pace with emphasis on good relationships, interactions, good motives, and connections that respect the local culture. Thus, the attire to wear when attending a business meeting is always a crucial business practice in Saudi Arabia. Therefore, the country's religion plays an important role in setting the way people conduct their business. An example of the social customs of the Saudi Arabian people is the way they greet and hold meetings. In Saudi, men shake hands while good friends shake hands and kiss each cheek. Also, it is a custom to pro-long a handshake in Saudi setup than in western setup.

Conclusion

Saudi Arabia is one of the most influential countries in the Middle East. Saudi Arabia is deeply religious and culturally conservative and is located in a desert environment. The country is deeply religious, culturally conservative, and geographically located in the desert nation. Saudi Arabia has the second largest oil reserves, and the country's economy depends on oil production. The discussion has helped to understand what it means to conduct business in Saudi Arabia. Second, what are the factors that make a business successful within Saudi Arabia? It helps understand the business environment of Saudi Arabia as well as the business opportunities in the country. The Saudi Arabian economy has depended on petrochemical-related products. However, the discussion has explored other opportunities in the country's economy (Azmat et al., 2610). The success of the food industry and services provision industries has laid the ground for the economy not to depend on the petrochemical industry. The success of a business in the country depends on political influence and connections. Therefore, political connections have facilitated business success in Saudi Arabia. Also, fitting social customs, the businesses and companies that take into consideration Muslim beliefs have a higher probability of succeeding in Saudi Arabia. Moreover, petrochemical-associated wealth plays an important role in shaping the country's economy. Tourism generates a lot of revenue for the country. The growth of the hotel industry has boosted the country's economy. Due to the increased number of tourists, the government has improved the infrastructure around the cities. Also, the construction of the high lavish hotels has taken place due to tourism. Still there are a lot of opportunities that this industry still offers. Thus, the government of Saudi Arabia should consider the tourism industry as a way to diversify the economy. Therefore, the hospitality and tourism industries have contributed greatly to the economy of Saudi Arabia. Thus, construction companies in the industries have enormous opportunities. Therefore, construction companies have the chance to get projects that aim to improve infrastructure and buildings. Also, the construction of medical facilities helps the country grow socially and economically (Billah, 5). Thus, a healthy nation is a productive nation.

Religion pervades the way business and cultural environments are set up in Saudi Arabia. Social customs are cultural or societal ideas that describe a particular behavior associated with a group of people. The social customs include the way people greet one another, like bowing or shaking hands.

Business practices are the methods or procedures that certain groups of people follow or do in a business environment. Social customs and business practices have helped Saudi Arabian businessmen become successful. Customs and practices are believed to be catalysts for successful business in the country (Billah, 5). These social customs and business practices can be noted as factors that can help businesses to be successful in Saudi Arabia. Understanding one's customs and practices helps you in improving the interaction with them. Saudi Arabia's social customs and business practices are guided by Muslim religious practices.

Works Cited

Ibrahim, Gamal, and Vaughan Galt. "Explaining ethnic entrepreneurship: an evolutionary economics approach." *International Business Review* 20.6 (2011): 607-613.

Alharbi, Mona Mohammed. "Barriers to franchising in Saudi Arabia." *Journal of Marketing Channels* 21.3 (2014): 196-209.

Azmat, Fara, and Huong Ha. "Corporate social responsibility, customer trust, and loyalty—perspectives from a developing country." *Thunderbird International Business Review* 55.3 (2013): 253-270.

Billah, Mohd Masum, et al. "Journal of Islamic Banking and Finance." *Journal of Islamic Banking and Finance Oct-Dec* (2012): 5.

Bishara, Norman D. "Governance and corruption constraints in the Middle East: Overcoming the business ethics glass ceiling." *American Business Law Journal* 48.2 (2011): 227-283.

Chakrabarty, Subrata, and Liang Wang. "Climate change mitigation and internationalization: The competitiveness of multinational corporations." *Thunderbird International Business Review* 55.6 (2013): 673-688.

Freeman, Susan, et al. "A model of rapid knowledge development: The smaller born-global firm." *International Business Review* 19.1 (2010): 70-84.

Gabrielsson, Peter, and Mika Gabrielsson. "Globalizing internationals: business portfolio and marketing strategies in the ICT field." *International Business Review* 13.6 (2004): 661-684.

Habbash, Murya, and Salim Alghamdi. "Audit quality and earnings management in less developed economies: the case of Saudi Arabia." *Journal of Management & Governance* 21.2 (2017): 351-373.

Hallbäck, Johanna, and Peter Gabrielsson. "Entrepreneurial marketing strategies during the growth of international new ventures originating in small and open economies." *International Business Review* 22.6 (2013): 1008-1020.

Heuer, Mark. "Ecosystem cross-sector collaboration: conceptualizing an adaptive approach to sustainability governance." *Business Strategy and the Environment* 20.4 (2011): 211-221.

Ibrahim, Gamal, and Vaughan Galt. "Explaining ethnic entrepreneurship: an evolutionary economics approach." *International Business Review* 20.6 (2011): 607-613.

Ketokivi, Mikko, and Mikko Jokinen. "Strategy, uncertainty and the focused factory in international process manufacturing." *Journal of Operations Management* 24.3 (2006): 250-270.

Kreps, Tamar A., and Benoît Monin. "Doing well by doing good"? Ambivalent moral framing in organizations." *Research in Organizational Behavior* 31 (2011): 99-123.

Kuada, John, and Robert E. Hinson. "Corporate social responsibility (CSR) practices of foreign and local companies in Ghana." *Thunderbird International Business Review* 54.4 (2012): 521-536.

Leonidou, Leonidas C., et al. "Environmentally friendly export business strategy: Its determinants and effects on competitive advantage and performance." *International Business Review* 24.5 (2015): 798-811.

Matanda, Margaret Jekanyika, and Susan Freeman. "Effect of perceived environmental uncertainty on exporter-importer inter-organizational relationships and export performance improvement." *International Business Review* 18.1 (2009): 89-107.

Marquis, Christopher, and Julie Battilana. "Acting globally but thinking locally? The enduring influence of local communities on organizations." *Research in Organizational Behavior* 29 (2009): 283-302

Minsky, Marvin. "Society of Mind: a response to four reviews." *Artificial Intelligence* 48.3 (1991): 371-396.

Park, Byung Il, Agnieszka Chidlow, and Jiyul Choi. "Corporate social responsibility: Stakeholders influence on MNEs' activities." *International Business Review* 23.5 (2014): 966-980.

Puck, Jonas F., Helen Rogers, and Alex T. Mohr. "Flying under the radar: Foreign firm visibility and the efficacy of political strategies in emerging economies." *International Business Review* 22.6 (2013): 1021-1033.

Roth, Kendall, Tatiana Kostova, and Mourad Dakhli. "Exploring cultural misfit: Causes and consequences." *International Business Review* 20.1 (2011): 15-26.

Rugman, Alan M., ed. *The Oxford handbook of international business*. Oxford University Press, 2009.

Song, Jing, Rui Wang, and Salih Tamer Cavusgil. "State ownership and market orientation in China's public firms: An agency theory perspective." *International Business Review* 24.4 (2015): 690-699.

Soares, Ana Maria, Minoo Farhangmehr, and Aviv Shoham. "Hofstede's dimensions of culture in

international marketing studies." *Journal of Business Research* 60.3 (2007): 277-284.

Swoboda, Bernhard, Stefan Elsner, and Edith Olejnik. "How do past mode choices influence subsequent entry? A study on the boundary conditions of preferred entry modes of retail firms." *International Business Review* 24.3 (2015): 506-517.

Teegen, Hildy. "Examining strategic and economic development implications of globalising through franchising." *International Business Review* 9.4 (2000): 497-521.

Vahlne, Jan-Erik, and Anna Jonsson. "Ambidexterity as a dynamic capability in the globalization of the multinational business enterprise (MBE): Case studies of AB Volvo and IKEA." *International Business Review* 26.1 (2017): 57-70.

York, Jeffrey G., and Michael J. Lenox. "Exploring the sociocultural determinants of de novo versus de alio entry in emerging industries." *Strategic Management Journal* 35.13 (2014): 1930-1951.