

A Multi-Phase Methodology for Investigating Localisation Policies within the GCC: The Hotel Industry in the KSA and the UAE

Areej Azhar, Peter Duncan, David Edgar

Abstract—Due to a high unemployment rate among local people and a high reliance on expatriate workers, the governments in the Gulf Co-operation Council (GCC) countries have been implementing programmes of localisation (replacing foreign workers with GCC nationals). These programmes have been successful in the public sector but much less so in the private sector. However, there are now insufficient jobs for locals in the public sector and the onus to provide employment has fallen on the private sector. This paper is concerned with a study, which is a work in progress (certain elements are complete but not the whole study), investigating the effective implementation of localisation policies in four- and five-star hotels in the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE). The purpose of the paper is to identify the research gap, and to present the need for the research. Further, it will explain how this research was conducted.

Studies of localisation in the GCC countries are under-represented in scholarly literature. Currently, the hotel sectors in KSA and UAE play an important part in the countries' economies. However, the total proportion of Saudis working in the hotel sector in KSA is slightly under 8%, and in the UAE, the hotel sector remains highly reliant on expatriates. There is therefore a need for research on strategies to enhance the implementation of the localisation policies in general and in the hotel sector in particular.

Further, despite the importance of the hotel sector to their economies, there remains a dearth of research into the implementation of localisation policies in this sector. Indeed, as far as the researchers are aware, there is no study examining localisation in the hotel sector in KSA, and few in the UAE. This represents a considerable research gap.

Regarding how the research was carried out, a multiple case study strategy was used. The four- and five-star hotel sector in KSA is one of the cases, while the four- and five-star hotel sector in the UAE is the other case. Four- and five-star hotels in KSA and the UAE were chosen as these countries have the longest established localisation policies of all the GCC states and there are more hotels of these classifications in these countries than in any of the other Gulf countries. A literature review was carried out to underpin the research. The empirical data were gathered in three phases. In order to gain a pre-understanding of the issues pertaining to the research context, Phase I involved eight unstructured interviews with officials from the Saudi Commission for Tourism and Antiquities (three interviewees); the Saudi Human Resources Development Fund (one); the Abu Dhabi Tourism and Culture Authority (three); and the Abu Dhabi Development Fund (one).

Areej Azhar is a PhD student at Glasgow Caledonian University (GCU), Glasgow G4 0BA, Scotland, UK (corresponding author to provide phone: +44(0)1412731897; e-mail: Areej.Azhar@gcu.ac.uk).

Dr. Peter Duncan is a Senior Lecturer at GCU (e-mail: p.b.duncan@gcu.ac.uk).

Prof. David Edgar is Professor of Strategy and Business Transformation at GCU (e-mail: d.a.edgar@gcu.ac.uk).

In Phase II, a questionnaire was administered to 24 managers and 24 employees in four- and five-star hotels in each country to obtain their beliefs, attitudes, opinions, preferences and practices concerning localisation.

Unstructured interviews were carried out in Phase III with six managers in each country in order to allow them to express opinions that may not have been explored in sufficient depth in the questionnaire. The interviews in Phases I and III were analysed using thematic analysis and SPSS will be used to analyse the questionnaire data.

It is recommended that future research be undertaken on a larger scale, with a larger sample taken from all over KSA and the UAE rather than from only four cities (i.e., Riyadh and Jeddah in KSA and Abu Dhabi and Sharjah in the UAE), as was the case in this research.

Keywords—KSA, UAE, localisation, hotels, Human Resource Management.

I. INTRODUCTION

THE six Gulf Co-operation Council (GCC) states (Bahrain, Kuwait, Oman, Qatar, Kingdom of Saudi Arabia and the United Arab Emirates) all have high birth rates which, together with increased life expectancy [1], is leading to great demographic pressures and issues in the region. The result is that GCC countries have large numbers of young people entering the education system and subsequently the employment market [2]. The governments are therefore faced with the challenge of reaching and maintaining economic growth rates which are concomitant with the growth in population [3]. Until now, the GCC states have been reliant on expatriate workers [4] to support economic growth, and this has led to an oversupply of such workers. To address the problem, countries in this region have introduced so-called localisation programmes, which aim to replace expatriates with local workers. In this respect, localisation is defined as “a process which reverses the trend of globalisation by discriminating in favour of the local” [5, p.1]. The contexts of our paper are two GCC states, the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE). These countries have the highest percentages of foreign workers in the Gulf [4] and form an excellent basis by which to explore the nature and impacts of localisation. In KSA, the localisation programme is known as Saudisation, and in the UAE, it is termed Emiratisation. Interestingly, these programmes have proved very successful in the public sector in both KSA and the UAE, but much less so in the private sector. This is the context of our paper.

The purpose of the paper is to identify the research gap, and to present the need for the research. Further, it will explain how this research was conducted; present the initial findings and the limitations of the study, finally drawing a conclusion.

II. BACKGROUND

To understand the nature of the research and clarify the research gap which we are exploring, this section examines localisation in KSA and UAE before focusing on the four- and five-star hotel sectors in these countries.

A. Localisation in KSA and UAE

In KSA and UAE, the implementation of the localisation programmes in the public sector has met with greater success than it has in the private sector. In the public sector workforce, high participation of the local population has been achieved [2]. Public sector employees receive higher salaries, have greater job security, work fewer hours, have generous holidays and, in general, the work is less demanding [6]. This makes work in the public sector highly attractive to the local workforce and acts to motivate them to undertake such jobs. However, the public sector has now become saturated and resulted in a need for government to encourage national workers to move into private sector employment. This is one of the reasons why, since around the start of the 21st century, the onus has been on the private sector to replace foreign workers with locals [2].

It is useful to explore the factors that led to the introduction of the Saudisation and Emiratisation policies. Most prominent amongst the factors is the high rate of population growth, meaning that employment must be provided for increasing numbers of young people entering the labour market [2]. In addition, there are increasing numbers of educated women and a more liberal approach to women in the workforce as traditional attitudes to women's employment outside the home are gradually changing, particularly in the UAE [6]. As such, currently there are high rates of unemployment in KSA and the UAE, with approximately 12% of Saudis unemployed in 2011 [7] and 14% of Emiratis in 2009 [8]. The UAE does not issue figures relating to unemployment on a regular basis and the 2009 figures are the latest available. Unemployment is a cause of concern for local communities, social welfare and the future prosperity of the countries.

In parallel to the unemployment issue is the structural position of the economies of KSA and the UAE. The economies of these countries have long been dependent on petroleum and petroleum-related products and their governments have recognised the need for the diversification of the economy [9]. Such diversification has resulted in shifts in the industrial base to service and life science oriented sectors, and a requirement for a range of new skills, working patterns and skills sets. Thus, there is a need for the development of human capital to meet these new sectoral requirements, as human resources are a crucial element in influencing a country's potential for economic growth and development [10]. Moreover, there is a need to redress the balance between the public and private sectors in terms of the

employment of Saudi and Emirati nationals. Therefore, while there is a clear requirement for localisation policies to help support the national workforce in KSA and UAE, and evidence that localisation policies work in the public sector, there is a need to understand why such policies are slower to impact on the private sector. Among the reasons proposed as contributory factors are the skills shortages of Saudi and Emirati nationals, and a misalignment between education and training and private sector needs [9]. In addition, Saudis and Emiratis tend to have negative attitudes to private sector work, as the working hours and holidays compare unfavourably to those in the private sector [10]. Indeed, private sector employers often have negative attitudes to Saudi and Emirati employees, judging them to be less hard working and reliable than expatriates [10]. Hence, the question arises as to how to overcome these problems and misconceptions.

There is little doubt that localisation can only be successful when Saudis and Emiratis are attracted to jobs in the private sector of their respective countries. This will only happen when they perceive that private sector employment can give them job satisfaction, i.e. "what one (they) want(s) or value(s) from a job" [11, p.279]. In addition, the success of the localisation policies may require alternative forms of measurement in terms of success. They should be measured not only by the number of nationals who have replaced expatriates in jobs, but also by the extent to which they are considered by employers to meet their criteria of competence in terms of qualifications, skills, reliability, work ethic and so forth [12].

B. Hotel Sectors in KSA and UAE

Our research focuses on the luxury hotel sector of KSA and UAE.

The hotel sectors in KSA and UAE play an important part in the countries' economies. Since the beginning of the 21st century, the hotel industry of KSA has developed at a very rapid pace. There has been a considerable increase in four- and five-star hotels [13] in particular and the sector continues to expand. Apart from Makkah and Medina, where hotels are mainly occupied by pilgrims from across the world, the main markets for tourism in the KSA are other GCC countries; there is also significant demand from the domestic market, while Riyadh caters mainly to the corporate segment [14]. However, the total proportion of Saudis working in the hotel sector is slightly under 8%, with Saudi women working in this sector constituting only 0.03% of the total percentage of women working in the private sector [15]. The hospitality sector is seen as badly paid, with irregular and often unsociable working hours and is therefore unattractive to Saudis [16].

In the UAE, tourism has been designated as one of the main enablers of economic growth [17]. Several Emiratisation programmes, such as the Maharat Programme, have been developed to train nationals to work within the hospitality industry [17]. The Maharat programme initially attracted over 725 UAE nationals, helping them to become employed in five-star hotels [18]. However, the UAE's hotel industry remains staffed significantly by expatriates [13].

Hence, the hotel sector is important to the economies of KSA and the UAE and represents a considerable potential source of jobs for local people. Indeed, it was reported that in the UAE the growth of hospitality jobs is outpacing all other sectors in the economy [19].

However, the localisation policies in this sector in these countries have remained largely unsuccessful and therefore a study investigating how these policies may be implemented more successfully in the hotel sector can be of benefit.

III. RESEARCH GAP

Studies of localisation in the GCC countries are under-represented in scholarly literature [20]. Further, despite the importance of the hotel sector to the economies of the GCC countries, there remains a dearth of research into the implementation of localisation policies in this sector. Indeed, as far as the researchers are aware, there is no study examining localisation in the hotel sector in KSA, and few in the UAE. Given the importance of the sector to the economies in these countries, and the opportunities for employment it presents, this represents a considerable research gap. The identification of this gap represents the motivation for research in this domain and indicates its significance.

In the light of the identification of this research gap, the aim of the study is therefore to use a multi-phase methodology to investigate the drivers of the effective implementation of localisation programmes in the private sector in the KSA and the UAE, focusing specifically on four- and five-star hotels in this sector.

IV. METHODOLOGY

This section describes the methodology used to achieve the aim of the main study. The study takes an interpretivist standpoint. Hence, the interaction between the researcher and the respondents allows different views of the reality of localisation in the luxury hotel sector in KSA and the UAE. An inductive approach is taken; that is, the study begins with an area of study and allows the theory to emerge from the data [21]. Further, a multiple case study strategy is used to investigate the problems involved in implementing the localisation policies in the four- and five-star hotel sectors in KSA and the UAE. There are two cases. The four- and five-star hotel sector in KSA is one of the cases, while the four- and five-star hotel sector in the UAE is the other case. KSA and the UAE were chosen because these countries have the longest established localisation policies of all the GCC states [22]. In addition, there are more four- and five-star hotels in these countries than in any of the other Gulf countries [23]. Four- and five-star hotels were chosen for a number of reasons. Such hotels are usually larger than less prestigious hotels and are therefore able to offer more employment opportunities to local people. Further, because of the fact that four- and five-star hotels require more workers, the governments of KSA and the UAE are initially concentrating on them for the implementation of the localisation policies, rather than on one-two-, and three-star hotels [24].

The research method in the study is qualitative, as the study is concerned mainly with opinions and perspectives [25]. However, the qualitative data obtained from the questionnaire are analysed quantitatively. The remainder of the data from the empirical work is analysed thematically. The research process is summarised in Table I.

TABLE I
 RESEARCH PROCESS (GENERATED BY AUTHORS)

Research Process			
Research Philosophy Interpretivism	Research Approach Inductive (theory building)	Research Strategy Multiple case study	Research Method Qualitative

The data collection and analysis was carried out in three phases. Fig. 1 shows the instruments, sampling used and analysis techniques in each phase.

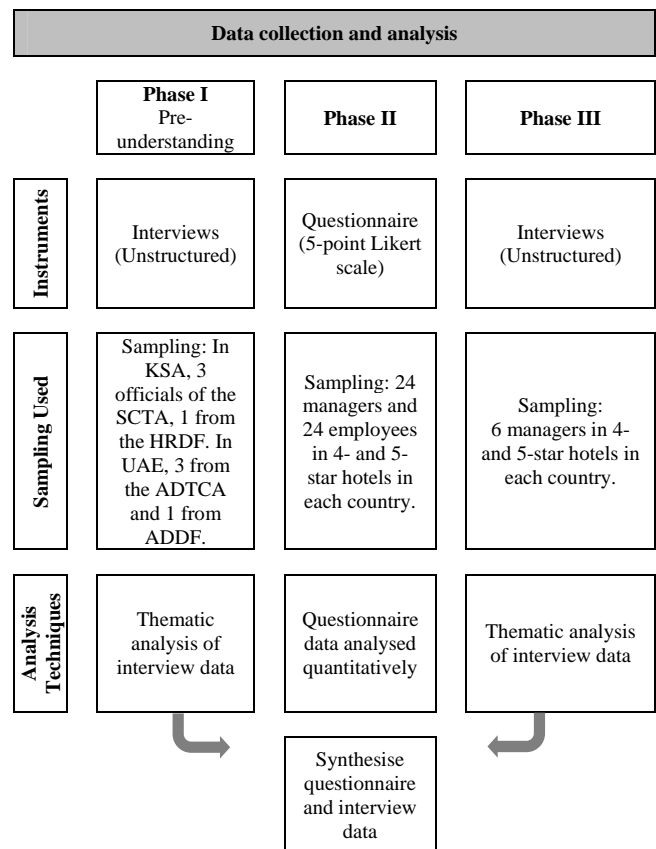


Fig. 1 Data collection and analysis for the 3 phases (generated by authors)

A. Phase I: Pre-Understanding Interviews

In Phase I, the pre-understanding phase, unstructured interviews were carried out with tourism professionals. "Pre-understanding refers to such things as people's knowledge, insights and experience before they engage in a research programme" [26, p.57]. The rationale behind this phase was to obtain information from the perspective of a group of stakeholders in the tourism and hospitality industry. Therefore, these interviews were carried out with two representatives of

the Saudi Commission for Tourism and Antiquities (SCTA) in Jeddah and one in Riyadh, and a representative of the Saudi Human Resources Development Fund (HRDF) in Jeddah. In the UAE, unstructured interviews were conducted with three executives of the Abu Dhabi Tourism and Culture Authority (ADTCA) and a representative of the Abu Dhabi Development Fund (ADDF).

The views of the tourism professionals, the HRDF official and the ADDF official, were interesting and useful in that they offered the researchers a pre-understanding of the background to localisation in the hotel sector, such as the number and classification of hotels. In addition, they offered their views on localisation in the hotel sector in KSA and the UAE. These data were analysed thematically.

B. Phase II: Questionnaire

The themes emerging from the Phase I interviews were used to develop the questionnaire statements. In Phase II, the questionnaires were administered to a sample of 24 managers and 24 employees of 4- and 5-star hotels in each country, in order to obtain their views on the impact of the localisation policy in the hotel sector. The respondents consisted of various types of manager, such as assistant manager, human resource manager and so forth. The same number (24) of local employees in each country was given the employees' questionnaire in order to obtain their perspectives on the policy and its implementation in this sector.

Nineteen of the twenty statements in the questionnaire were closed-ended on a 5-point Likert scale, while the twentieth was an open-ended statement. The questionnaire data (with the exception of the one open-ended question) will be analysed with the SPSS programme. The open-ended question will be analysed, as was the interview data, using thematic analysis, as these data do not lend themselves to quantitative analysis.

C. Phase III: Interviews with Managers

In Phase III, unstructured interviews were conducted with six managers in each country. At the end of the questionnaire, the respondents were asked if they would agree to participate in an interview and from those who responded positively, a random sample of managers of six hotels in each country were chosen. As the responses of the employees to the questionnaire were less informative as those of the managers, the researchers decided not to conduct interviews with them. These interviews were used to gain a deeper understanding of issues the managers perceived as important regarding localisation. The data gathered from the responses given in the interviews were also analysed thematically.

V. FINDINGS

This paper concerns the identification of the research gap and the methodology used for the study. However, because of the timeline, the researchers have applied some of this methodology and the initial findings from this application are presented in this section. They highlight the importance of the work. The themes which emerged from the analysis of the data from Phase I can be seen in Fig. 2.

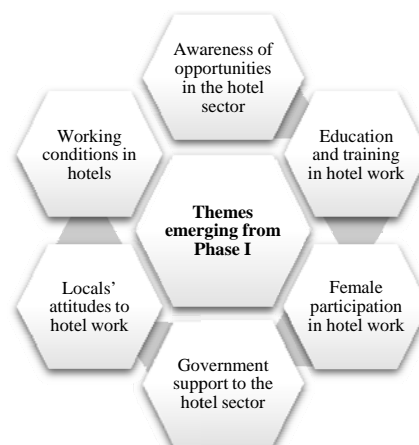


Fig. 2 Themes emerging from the Phase I pre-understanding interviews (generated by authors)

The data from Phase II will be analysed quantitatively. This analysis is currently in progress. From the analysis of the Phase III interview data, the six themes shown in Fig. 2 emerged.

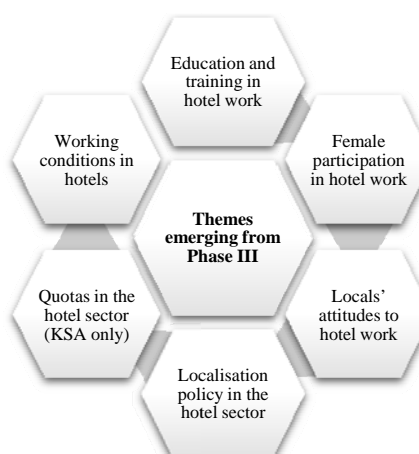


Fig. 3 Themes emerging from the Phase III interviews (generated by authors)

The findings from Phases I and III suggest that in order to enhance the implementation of localisation in the luxury hotel sectors in KSA and the UAE, a number of issues should be addressed. These are the necessity for education and training to be better aligned with the demands of the sector; for better facilities, salaries, working hours and holidays to be provided to attract locals; for awareness of opportunities in the sector to be raised; for better facilities for women employees to be provided; and for governments to provide greater support to hotels in their efforts to increase localisation.

VI. LIMITATIONS OF THE STUDY

One of the limitations of the study is that it was conducted in only four cities – two in KSA and two in UAE. This paper therefore recommends that future research be conducted in the hotel sector in other cities in these countries, or indeed, in other GCC countries with localisation policies. In addition, the

research was conducted in four- and five-star hotels and it would be interesting to see the findings which could emerge from a similar study conducted in two- and three-star hotels in KSA and the UAE.

VII. CONCLUSION

This paper has achieved its purposes. It has identified the research gap and thus justified the need for the wider study on strategies to enhance the implementation of localisation policies in the 4- and 5-star hotel sectors in KSA and the UAE. Further, it has explained the methodology used in the study. The study/methodology identified will narrow the research gap and contribute to theoretical knowledge by identifying effective strategies for localisation in 4- and 5-star hotels in KSA and the UAE. In addition, the research will make a practical contribution through making recommendations concerning the enhancement of the implementation of localisation programmes which could prove useful to policy-makers and practitioners in these countries.

There remains a lack of research on the implementation of localisation policies in the GCC countries in general, and more specifically, on the implementation of localisation policies in the 4- and 5-star hotels in KSA and the UAE. Many Saudis and Emiratis are unemployed but there are still very high numbers of foreign workers in these countries. In addition, tourism is becoming more important in both KSA and the UAE, which has led to an increase in the number of hotels. However, localisation policies have not been successful in the hotel industry. It is clear that the localisation programmes in KSA and the UAE are very important in those countries for the economy and to generate employment for local people, in particular the growing number of women and young people in the work force.

Section V of this paper presented initial findings from Phases I and III of the study. The next step will be to analyse the data from the Phase II questionnaire. The Phase II results will then be compared with the findings from Phases I and III. Conclusions may then be drawn and recommendations made to policy-makers and practitioners in the hotels sectors in KSA and the UAE.

REFERENCES

- [1] E. Laipson, (2002). The Middle East's Demographic Transition: What Does It Mean? *Journal of International Affairs*, Vol. 56, No. 1, pp. 175-88.
- [2] I. Forstenlechner,(2008). Workforce nationalization in the UAE: image versus integration *Education, Business and Society: Contemporary Middle Eastern Issues*, Vol. 1, Issue 2, pp. 82-91.
- [3] R. Looney,(2004). Saudization and Sound Economic Reforms: Are the Two Compatible? *Strategic Insights*, Volume III, Issue 2 (online) Available from <http://www.dtic.mil/dtic/tr/fulltext/u2/a524846.pdf> Accessed 29th August, 2014.
- [4] W. Harry,(2007). Employment creation and localisation: the crucial human resource issue for the GCC. *International Journal of Human Resource Management*, Vol. 18, No. 1, pp. 132-146.
- [5] C. Hines, (2003). Time to replace globalization with localization. *Global Environmental Politics*, Vol. 3, No.3, pp. 1-7.
- [6] J. Al-Ali,(2008). Emiratisation: drawing UAE nationals into their surging economy. *International Journal of Sociology and Social Policy*, Vol. 28, No. 9-10, pp. 365-379.

- [7] Central Department of Statistics and Information (2014). Available from <http://www.cdsi.gov.sa/english/> Accessed 22nd September 2014.
- [8] Arab Finance, (2014). The International Monetary Fund expects the high rates of unemployment in the Gulf region and calls for reforms. Available from <http://m.arabfinance.com/NewsItem.aspx?NewsID=264103> Accessed 29th September 2014.
- [9] M. P. Todaro, and S. C. Smith, (2009). *Economic development*. London: Pearson Education Limited.
- [10] U. Fasano, and Z. Iqbal,(2003). *GCC countries: from oil dependence to diversification*. Washington, USA: International Monetary Fund.
- [11] A. P. Brief, and H. M. Weiss,(2002). Organizational behavior: Affect in the workplace. *Annual Review of Psychology*, Vol. 53, pp. 279-307.
- [12] C. C. Potter, (1989). Effective Localization of the Workforce: Transferring Technology in Developing Countries, *Journal of European Industrial Training*, Vol. 13, No. 6, pp. 25-30.
- [13] HVS, (2012). *2012 Middle East Hotel Survey*. Dubai: HVS.
- [14] M. A. Sadi, and Q. Iftikhar, (2011). Factors critical to the success of small-medium sized business marketing: A view from the tourism industry in Saudi Arabia. *African Journal of Marketing Management*, Vol. 3, No. 9, pp. 226-232.
- [15] Aleqtisadiah,(2012)Saudis Want to Work in Hotel Sector. No.6985, 23 November 2012 Available from http://www.aleqt.com/2012/11/23/article_711749.html Accessed 23rdOctober, 2014.
- [16] Hotelier Middle East, (2012). Saudization crackdown puts hotels under pressure. Available from <http://www.hoteliermiddleeast.com/13891-saudization-crackdown-puts-hotels-under-pressure/Accessed> 22ndOctober, 2014.
- [17] M. L. Stephenson, K. A. Russell, and D. Edgar, (2010). Islamic hospitality in the UAE: indigenization of products and human capital. *Journal of Islamic Marketing*, Vol. 1 No. 1, pp. 9-24.
- [18] Express Hospitality, (2008). "Dubai's Maharat training programme moves to the next level", 16-29 February, Available from www.expresshospitality.com Accessed 22ndOctober, 2014.
- [19] The National,(2014). Hotel boom drives a flood of new jobs in the UAE Available from <http://www.thenational.ae/opinion/hotel-boom-drives-a-flood-of-new-jobs-in-the-uae#ixzz3DbL9rz50> Accessed 17thSeptember, 2014.
- [20] D. Littlejohn, and S. Watson, (2004). Developing graduate managers for hospitality and tourism, *International Journal of Contemporary Hospitality Management*, Vol. 16, No. 7, pp. 408-14.
- [21] K. M. Eisenhardt, (1989). Building theories from case study research. *Academy of Management Review*, Vol. 14, No. 4, pp. 532-550.
- [22] N. Mashood, H. Verhoeven, and B. Chansarkar,(2009). *Emiratisation, Omanisation and Saudisation - common causes: common solutions?* Paper presented at The 10th International Business Research Conference, Dubai, UAE, April 16-17, 2009.
- [23] Saudi Gazette, (2013). Riyadh to host 5th hotel summit as Kingdom's tourism sector prospers. February 20th, 2013 <http://www.saudigazette.com.sa/index.cfm?method=home.regcon&contentid=20130213152957> Accessed 24th September, 2014.
- [24] N. M. Al Marzouqi,(2012). *Emiratisation strategy at Jumeirah and its objectives (Emirati perspective)*. Master's dissertation submitted to The British University in Dubai.
- [25] A. Strauss, and J. Corbin, (1998). *Basics of qualitative research: techniques and procedures for developing grounded theory*. Thousand Oaks, CA: Sage Publications, Inc.
- [26] E. Gummesson,(2000). *Qualitative methods in management research*. London:Sage.