

## ON THE MAP THE KINGDOM OF SAUDI ARABIA

### Saudi society and its recent evolution



**Nabil Nassar**, Jeddah office manager at Hodema consulting services, takes a look deep into the Kingdom's populace

While he was attending the First Global Competitiveness Forum in 2006 in Riyadh, Bill Gates was asked whether he thought Saudi Arabia could meet its ambitious goal of becoming one of the world's most competitive economies by 2010. Gates discreetly pointed to the female section in the audience and replied, "Well, if you're not fully utilizing half the country's talent, you're not going to get too close to the top." His message was well received by the local government and the general public.

Today, KSA's society is actively pushing to raise the rate of active women, broaden education horizons, increase internal tourism, encourage entrepreneurship and favor Saudisation (national policy in KSA to encourage employment of Saudi nationals in the private sector). How is the society reacting to greater exposure to more liberal cultures and what premises to deep changes can we foresee in the Kingdom?

#### Increasing participation of women in workforce

Much has been done to give Saudi women the place they deserve on the local and international scene: active women have crossed the million in the Kingdom, split between

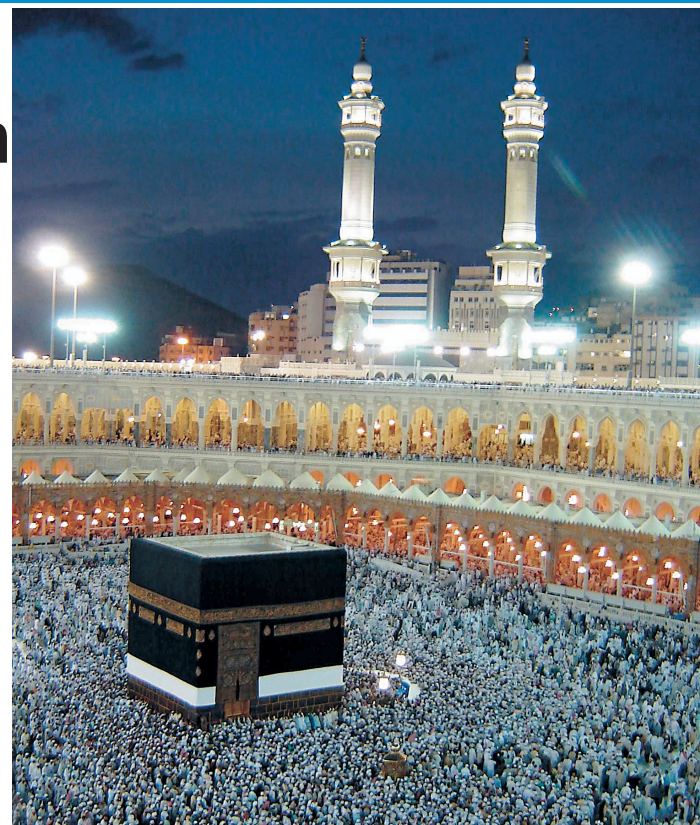
educational and administrative roles, and entrepreneurial women developing businesses mostly in the art and design, cosmetics, and retail sectors (Figure 1).

Notably enough, King Abdallah has for the first time, in early 2009, appointed a woman, Norah Al Faiz, to be deputy minister in charge of girls' education. He also appointed six other women to be part of the advisory council "Majles al Shura".

While this kind of initiative is still embryonic in the public sector, the private sector has created real opportunities, structures and balanced environments where women can develop their careers while preserving their household roles intact and attending to family commitments.

#### Educational initiatives

In the same spirit, the Kingdom's highest authorities have been encouraging educational initiatives designed to bridge the cultural gap between Saudi Arabia and the rest of the world. One of the most important of these initiatives is the King Abdullah Scholarship Program sponsored by the Ministry of Higher Education, for which the Saudi government has dedicated part of its yearly education budget, sponsoring 25,000 Saudi nationals to study abroad.



With an estimate additional 15,000 students established in the United Kingdom, independently from any government support, the trend of Saudis opting for international studies is on the rise. Young Saudis are aiming nowadays at kickstarting their careers in a more challenging and constructive environment, before returning back home to settle and venture into their professional fields. This model has become the perfect recipe for Saudis to contribute to the innovation of social development in their home country, combining Western and Saudi lifestyles.

#### Internal tourism potential

As more than \$10 billion will be spent by Saudi Arabians on traveling overseas in 2010, the government is

now encouraging internal tourism to capture part of this spending. It is clear that internal tourism is far from being exploited to its real capacities in the Kingdom, despite heavy internal traffic mainly driven by business and religious tourisms. With a noteworthy gap between internal and external tourism expenditure, (internal travelers spend USD 265 per year on average on tourism expenditure in the Kingdom, versus USD 1,170 spent per year per Saudi traveling abroad), one could easily assume that Saudis could moderate their outbound traveling habits and increase their internal tourism expenditures should standards of quality and products offering reach international levels (Figures 2 and 3).

#### Economic diversification

The awakening of Saudi aspirations has come with promising and steady economic growth displayed by the Kingdom. According to Riyadh's Jadwa Investment Co., the Kingdom of Saudi Arabia has proven to be one of the most resilient countries during the recent downturn period, maintaining a robust nominal GDP growth in the second quarter 2010, increasing by 15.2 percent against the same period last year. Inflation adjusted real GDP growth data is not yet available, but Jadwa maintains its forecast for full-year real Saudi GDP growth at 3.9 percent.

With a predominantly oil driven economy, KSA has strategically decided to move out of the black gold's dependency and explore new grounds, creating interests in indus-

tries such as healthcare, banking and finance, art and design, and recently the hospitality and tourism domains. While overcoming cultural differences might constitute a major challenge to doing business in Saudi Arabia, the country offers a wide range of entrepreneurial opportunities. In the urge to do it right, the younger generation of Saudi entrepreneurs is eagerly reaching out to its Western counterparts for consultation and cooperation, and is blending the strengths of capitalistic systems with its own traditional values.

The Food and Beverage (F&B) market has recently captivated the curiosity of Saudi entrepreneurs, motivated by a will to diversify their investments or develop into untapped segments. While the F&B sector had commonly been considered an answer to basic needs and necessities, it has now turned to be representative of new lifestyles, references and horizons. We are far from New York or London's F&B landscape, where food is art and art is food for the soul, however, the Westernized Saudi lifestyle has not left its eating habits intact.

Riyadh and Jeddah have witnessed considerable reshaping of their F&B scenes, considered to be lucrative ones taking into consideration that eating-out remains the principal leisure activity in the Kingdom, given the limited entertainment options. Saudis and foreigners alike

tend to spend an increasing amount of time in F&B establishments. Back in the nineties, the arrival of a growing expatriate population, attracted by higher than region average wages and tax-free salaries, encouraged the development of several chain-affiliated restaurants in the Kingdom. Their numbers have never stopped rising, scoring record sales and number of outlets growth.

Recently, however, and due to an increasingly well-traveled Saudi population, the demand for better international food has helped shift away from American diners, towards concepts from Europe and Lebanon.

In the light of this ever-growing demand, and aiming at reviving Saudi culinary arts and introducing a modernized approach to Saudi cooking, the Kingdom will soon observe the appearance of reinvented Saudi cuisine, targeting the younger population, as well as tourists and professionals.

The emergence of fashion brands in the last 3 years such as One Umma, Noun and Kalima, have transformed the Saudi youth mentality and views on dressing habits, and have placed Saudi Arabia on the world's fashion circuits. Opting for locally made clothing items, shaped by Saudi heritage including calligraphy and traditional dress elements such as the shumagh, has reinforced the local sense of pride in Saudi Arabia.



The change is also dramatic when it comes to arts. As part of its initiatives to develop new industries, the Saudi government has adopted a more lenient approach to supporting talents and boosted the sector, introducing specialty classes in universities and colleges ranging from Islamic arts to poetry, sculpture and painting. Recently, the Kingdom has witnessed a growing presence of its artists in international fairs and art exhibitions, including Berlin, Dubai and Shanghai.

#### Challenges and limitations

Despite higher education levels, women entering the workplace, and multiple government initiatives to diversify a growing economy, there are still limitations to cruising in Saudi Arabia at the pace of the West or other closer regional platforms.

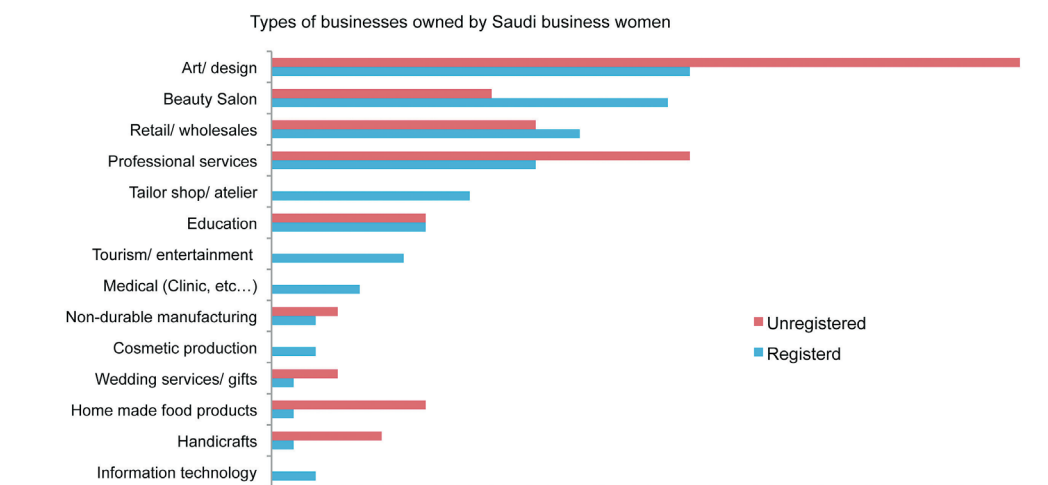
Key challenges the Kingdom has to palliate include gender-specific obstacles in the regulatory environment, limited access to and use of formal capital and financing mechanisms for both women and young entrepreneurs, and finally, an unbalanced work force in both private and public sectors between locals and expatriates. A statistical report issued by the Ministry of Labor in 2010 shows that there are now 680,000 Saudis working in the private sector (down by 115,000 workers from previous year), in contrast with the 6.2 million expatriates working in the same sector and which increased by 15.2 percent from 2008 to 2009.

Saudi Arabia has announced and started the undertaking of several multi-billion projects dedicated to enhance education and ultimately employment to Saudis and non-Saudis within the Kingdom, irrespective of gender. (Figure 4).

Despite all efforts, programs to boost and encourage local sustainable developments and activities might remain sterile as the emphasis on the roll out plans and awareness campaigns to educate and bridge between current situations and future objectives is shy. However, the evolution is positive; in a country where for the last few decades, social and cultural trends were not set but pasted from foreign models, new Saudi generations have started looking within their own richness and heritage in search for inspiration and greatness. ■

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**Figure 1 - Types of businesses owned by Saudi businesswomen**



Source: Monitor Group (July 2010)

**Figure 2 - KSA domestic tourism**

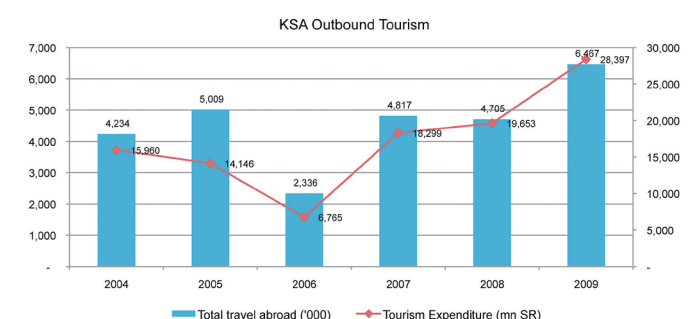
Number of travelers within KSA v/s internal tourism expenditure in SR (Saudi Rials)



Source: MAS - October 2010

**Figure 3 - KSA outbound tourism**

Number of travelers abroad v/s outbound tourism expenditure in SR (Saudi Rials)



Source: MAS - October 2010

**Figure 4 - Ongoing educational projects in KSA**

Ongoing educational projects in KSA - 2010	City	Amount in USD
King Abdullah University of Science and Technology (KAUST)	Thuwal	3,000,000,000
King Abdullah University of Science and Technology - University Campus	Thuwal	1,300,000,000
Saudi Arabia MHE - King Khaled University - Phase II	Abha	800,000,000
Saudi Arabia MHE - King Khaled University - 16 Residential Buildings	Abha	650,000,000
Princess Nora University - Packages 1 and 3	Riyadh	4,000,000,000
Princess Nora University - Package 2	Riyadh	408,000,000
King Saud University for Health Sciences (KSUHS)	Riyadh	1,600,000,000
King Saud University - Female University Campus	Riyadh	2,270,000,000
Jubail 2 University College	Jubail	133,300,000
Aramco - King Abdullah Petroleum Studies and Research Center	Khobar	300,000,000
Imam Mohammed Bin Saud Islamic University - Housing Package	Riyadh	1,000,000,000
Total amount of ongoing educational real estate projects		15,461,300,000

Source: Zawya.com October 2010