

Case analysis saudi arabia assignment



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Case Analysis: Saudi Arabia 1. Definition of the problem/decision The problem in this case is about the Saudi Arabian government, which offers a possible business plan to the American company Skyblue. Skyblue is a commercial aircraft manufacturer based in Kansas, USA. Because of its great reputation of high-quality and state-of-the-art technology, the royal Saudi Arabian family announced the minister to talk with the executive vice president of Skyblue, Robert Auger.

The minister told him that the government wants to buy 10 aircrafts over the next two years and even though, there are other competitors for this project, Skyblue is the favored manufacturer from the royal family. The problem shows up, when the minister tells Robert that the royal family is suffering from a stock market loss and that three of the competitive firms have each given \$100, 000 to help. Moreover, the minister mentions that if Robert will do so as well, it will serve him in the decision making process.

Before giving the minister an answer, Robert wants to wait for a message of the headquarters and during the mean time he meets up with a Saudi Arabian friend who is an insider in the Saudi government. The friend tells him that he has not heard about any stock market losses and neither of the pool of money being put together for members of the decision-making committee. What should Skyblue do? Whom can Robert trust? Is this how business works in Saudi Arabia? Is it legal for Skyblue to give the money to the committee in order to get the assignment? The main problem for Robert is to find out how business works in Saudi Arabia.

He wants the project but at the same time he does not want to hurt the company by acting illegal. 2. Relevant cultural aspects Saudi Arabia is a large Middle Eastern country with a coast on the Persian Gulf and one on the Red Sea. Moreover, one of its neighbor countries is the Iraq and rumors of terrorist financing activities made Saudi Arabia become a focus in the war against terrorism. In addition, in 2003-2004 Saudi Arabia itself got hurt by terrorist attacks. This leads to the conclusion, that business in Saudi Arabia can be dangerous due to terrorist/anti-terrorist actions.

Though, one of the biggest dangers in Saudi Arabia is corruption which can be found in every part; police, government, military, business, etc..

Transparency International ranked Saudi Arabia on place 79 out of 180.

Furthermore, Saudi Arabia 22 million people who are nearly all Arab Muslims.

This is stressed by the fact that the two holiest cities of Islam, Mecca and Medina, are located within Saudi Arabia. Just like in most of the countries located at the Gulf, the Islam influences business. If one establishes a deal, it is due to the will of God, if it fails it was not meant to be.

Moreover, prayers punctuate the business day and in meetings a lot of references to God and Mohammed will be made. Of big importance in the Islam are family relationships, loyalty and the need to show respect to older people. When doing business there and thinking about gifts one should always keep in mind the things forbidden in the Islam: alcohol, pork, knives, pigskin, perfumes with alcohol, any images with nude women. Moreover, women visiting Saudi Arabia have to behave very conservative and should wear an appropriate dress and usually also a headscarf in order to show the appropriate respect.

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Concerning the Saudi economy, the country is the largest exporter of oil in the world. Even though, most of the population is poor farmers, the country is very rich and has no public debt. Another important fact is that the Saudi government is a monarchy. The king who has ministers who give him advices makes all important decisions. Though, no political parties exist in the country. Family is very important in Saudi Arabia and usually business is developed around family and all key employees are from the family or extended family.

Though, women are not included in business. They play a very little role and usually will not be able to achieve a great deal there. Nevertheless, the male members of a family work together very strongly because Saudis believe that the only people you can really trust are from your family and therefore your business can develop in a good way. Therefore, teamwork within family members, or close friends can be achieved easily. Nevertheless, hierarchy within companies is very strong and therefore one will never be able to develop a very flat system even not in the team.

When attending meetings in Saudi Arabia, one should expect of having to wait for quite a time before the meeting starts. Moreover, meetings can go on for hours and deals are not being done in the first meetings. The Saudis first want to establish a relationship and know that they can trust the counterpart. To make the relationship-building process easier one should offer compliments to the host, his organization, Saudi Arabia, and the Muslim world in general. In addition, one should expect to be asked very familiar questions about e. g. personal wealth, religious convictions, marital status, etc.

It can happen that one needs seemingly endless sessions of getting to know each other before coming to the real business. Though, then discussions can seem very aggressive, loud and with strong eye contact. Hofstede did not classify Saudi Arabia by itself though the whole Arab world as one, which can be seen in the following diagram: The analysis of Hofstede of the Arab World includes Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, and the United Arab Emirates. Even though, cultural differences exist between these countries, all of them have a strong Muslim faith, which plays a big role in every part of life in the people's life.

The Large Power Distance (PDI) and the Uncertainty Avoidance (UAI) are predominant in this analysis. Not a significant upward mobility of the citizens is possible in these countries and the people are highly rule-oriented which can also be seen in the strong hierarchical structure in Saudi Arabian businesses. These societies are stressed by a powerful leader, strong rules, laws and regulations, and inequality of power and wealth. The Masculinity index (MAS) is the third largest in this evaluation. This can be stressed by the fact that women have little rights in these countries.

The lowest index is the Individualism (IDV), which shows that these countries have a collectivist society. This shows that family and relationships are very important in these societies. Also when referring to the dimensions of Trompenaars Saudi Arabia will be a collectivist society. Even though rules are very important in the Saudi Arabian society; the country is particularistic because relationships are of huge importance. Furthermore, the society is emotional where the members show their feelings. For example, in business

meeting people express themselves in a loud and emotional way. 3.

Outcome of a similar problem

Since in our opinion the solution to similar problems is simply not to be corrupt we want to show what can happen when not doing on the example of Saudi Arabia and BAE Systems. The scandal started when BAE Systems, a British manufacturer of "Typhoon"-Jets got in big trouble with the British government because it was accused of having paid millions of bribe money to the Saudi Arabian government which ordered 72 fighter jets from BAE. Research from the Serious Fraud Office (SFO) had already started in 2004 and in 2006, the sale of the fighter jets had to be stopped and the company had to tremble about an almost save deal of billions of dollars.

Even though, BAE rejected all accusations, a BBC investigation showed that an ex-Saudi ambassador to the US, Prince Bandar bin Sultan, had received secret payments for over a decade. Moreover, the Guardian newspaper that he concealed from an international anti-bribery watchdog the existence of secret payments to a Saudi prince. In April 2008, the British High Court decided that the Serious Fraud Office should be allowed to go to the highest court of appeal which means that now it will be up to the House of Lords, to decide who is right.

However will bet he outcome, one already knows that the whole scandal had hurt the relationship to Saudi Arabia. Even when BAE will win, ist reputation is destroyed and it will be very difficult fort hem to keep doing business with the Saudis. 4. Possible scenarios and their consequences Scenario 1 Skyblue decides to pay the \$100, 000 to the members of the committee. Even

though, they know it is illegal under the U. S. law to pay bribe money, the company decides that it is worth it because they will get the project and gain a lot of money when selling 10 planes to the Saudi government.

Moreover, by doing so they will be able to establish a relationship with the royal family and by satisfying their needs they might even get more contracts. Skyblue will get the contract over the 10 planes, since it was a lie from the minister that other competitors have also paid the money. The US company manages to get the contract and sell the planes without being caught by the Serious Fraud Office, the government or any other organization assigned for these issues. Scenario 2 Skyblue decides to pay the \$100, 000 to the members of the committee. Even though, they know it is illegal under the U.

S. law to pay bribe money, the company decides that it is worth it because they will get the project and gain a lot of money when selling 10 planes to the Saudi government. Moreover, by doing so they will be able to establish a relationship with the royal family and by satisfying their needs they might even get more contracts. Skyblue will be caught by the Serious Fraud Office and judged under the US law. Skyblue does not only lose the contract but also their reputation. In future, they will not be able to make other deals with the Saudi government and moreover, lose already existing contracts.

The whole company might get destroyed by this act and has to go in bankruptcy. Scenario 3 Skyblue decides that it is not worth to risk their reputation and therefore, they tell the Saudi government that they would like the contract but that they will support them with money. The Saudi

government will give the deal to a different company, which offers the same quality but is also willing to “ support” the members of the decision committee. Skyblue will loose the contract but they keep their great reputation with which they will be able to get new contracts without acting illegal.

They save their company of a possible scandal. 5. Recommendations and additional comments Saudi Arabia is not only a difficult country of doing business because the culture is strongly influenced by the Muslim belief, but also because of a high index of corruption. Western managers have to understand that their believes and their way of acting is very different and female managers should take into account that they do not have a lot to say when doing business in Saudi Arabia. Respect and the building of relationships will be the basis of doing successful business in the Arab world.

Though, when a deal depends on the fact whether a company pays bribe money or not, every company should consider all the possible outcomes. Corruption can never be abolished but still everyone should try to not get into it. Every company should act morally and ethically. The best should gain the contract and not the one who pays the most. Even though, corruption is part of the Saudi life, foreign companies should not get into it. The ideal would be that one day, no firm will be willing to pay money in order to get a contract and the one who gets it, gets it because it is the best in its area. .

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