

Midocean University

Faculty of Management

College of Management/ Bachelor of Management



The Impact of Employee Turnover on Organizational Performance within the Saudi Corporate Private Sector.

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Graduation Project – 1

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Chapter 1: Introduction

1.1 Research Background

Saudi Vision 2030 has prompted the Saudi private sector to shift toward a competitive, knowledge-based economy. To facilitate this, the government enforces strict Nitaqat (Saudization) regulations, requiring firms to hire, develop, and retain Saudi nationals. These quotas have intensified competition for qualified local talent, especially in finance, information technology, healthcare, and construction. As firms compete, professionals are moving more frequently between organizations in pursuit of better incentives. Evaluating the effects of this increased employee mobility on corporate performance is essential for sustainable business development in Saudi Arabia.

1.2 Research Problem

Rapid employee turnover presents major challenges for private firms in Saudi Arabia. Although labor localization policies have increased national talent in corporate roles, firms still face ongoing cycles of recruitment, onboarding, and resignation. This study examines the impact of continued employee mobility on organizational growth, with these issues explored and addressed in detail in the following chapters.

1.1.1 Sudden employee departures can result in workflow bottlenecks and unexpected financial burdens. Firms face high costs from offboarding, recruitment fees, job advertisements, and training new staff. Operationally, project timelines are delayed, team morale suffers from workload imbalances, and daily efficiency drops as new hires adjust.

1.1.2 Strategic Vulnerabilities and Performance Decline

Ongoing turnover creates strategic vulnerabilities that undermine long-term corporate competitiveness. According to Adel Alsulami and Salem Alqarni, training programs in Saudi Arabia's private sector aim to reduce turnover intentions. However, firms still struggle when employees take their new skills to competitors, disrupting strategic initiatives and service quality.

1.3 Research Significance

This study advances human resource management literature by integrating Western turnover frameworks with the unique socio-economic context of the Gulf region, using a rigorous mixed-methods approach. Employing both quantitative and qualitative data is essential: quantitative metrics enable statistical analysis of turnover trends and impacts, while qualitative insights from departing HR directors and employees reveal motivations and contextual factors that data alone cannot capture. For instance, surveys may indicate increased turnover after policy changes, but interviews can identify professional development goals or perceptions of quotas as key drivers. Supplemented by macro-level data from GASTAT and MHRSD, this mixed-method study provides a comprehensive analysis of employee turnover in Saudi Arabia. The significance of this research is outlined in two main areas:

1.2.1 At the Theoretical Level

- Applying traditional Western turnover frameworks, such as those by Mobley or Price, to state-driven economies requires moving beyond open-market assumptions that treat employment transitions as linear and self-interested. This

research recalibrates behavioral indicators to fit a regulated environment shaped by nationalization targets and cultural norms.

- **Integrating Regulatory Push Factors:** This research demonstrates how government-imposed quotas, not just internal job dissatisfaction, drive voluntary employee movement, offering a new perspective to management theory.
- **Expanding Regional Empirical Literature:** The study adds to GCC business literature by documenting the link between high talent mobility and performance decline under strict nationalization deadlines.

1.2.2 At the Practical Level

- **Actionable Retention Playbooks:** The research offers Saudi HR practitioners data-driven, non-monetary retention strategies, such as customized career mapping, to mitigate talent competition without increasing wage inflation.
 - **Quantifying Hidden Costs:** The study provides senior executives and CFOs with a clear framework to measure and manage operational friction, training losses, and project delays caused by rapid job transitions.
 - **Informing Labor Policymakers:** The findings offer empirical feedback to organizations like the Ministry of Human Resources and Social Development (MHRSD) on how sector-specific Nitaqat quotas affect long-term corporate competitiveness and workforce stability.
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1.4 Research Questions

- To what extent does rapid employee turnover correlate with measurable decreases in project completion schedules and overall corporate productivity?
 - What is the financial impact of offboarding, recruitment, and onboarding replacement staff on the operational budgets of firms in talent-competitive sectors?
 - How do the hidden friction costs of turnover differ between various targeted industries (e.g., IT, Finance, Healthcare, and Construction)?
 - How do government-imposed regulatory quotas function as external "push factors" that drive voluntary employee movement, independent of internal job satisfaction?
 - What non-monetary organizational strategies (such as customized career mapping) are most effective at reducing employee turnover plans according to departing HR professionals?
 - How do local cultural systems and state-driven economic goals alter the way traditional open-market turnover models (e.g., Mobley's or Price's) apply to Saudi national talent?
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1.5 Research Objectives

The following objectives address the research questions:

- To measure the direct relationship between swift employee turnover and operational metrics, including project delivery delays and productivity declines.
- To quantify the hidden financial strains of turnover, specifically calculating the costs of offboarding, recruitment, and onboarding replacement staff.

- To compare the variations and severity of turnover costs across key target sectors (Finance, IT, Healthcare, and Construction).
 - To evaluate how government-enforced nationalization quotas (Nitaqat) act as external push factors for voluntary employee mobility, separate from job satisfaction.
 - To identify effective, data-driven, non-monetary retention strategies, such as customized career mapping, that reduce competition for talent. In this study, 'career mapping' is the structured process where organizations and employees develop personalized career progression plans, outlining pathways, milestones, and required competencies for advancement. 'Turnover intention' refers to an employee's self-reported likelihood of voluntarily leaving their organization within a set timeframe, typically measured by validated survey scales like Mobley's Turnover Intention Scale. [1] Here, [1] cites recent HR studies showing that non-monetary retention initiatives, including career development plans and mentoring, lower turnover by meeting career development needs without raising salary costs. These strategies are widely recommended in high-demand labor markets.
 - To adjust traditional Western turnover frameworks (e.g., Mobley's or Price's models) to accurately reflect the socio-economic and regulatory realities of Saudi Arabia.
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1.6 Research Hypothesis

1.5.1: Financial Impact & Operational Friction

- High rates of regulatory-driven employee turnover are assumed to have no significant impact on the operating expenses and project schedules of Saudi

private sector firms. Alternatively, such turnover may significantly increase operational friction, resulting in elevated recruitment costs and delayed project schedules.

1.5.2: Regulatory "Push" vs. Job Satisfaction

- Stringent Nitaqat (Saudization) quota targets are presumed not to predict voluntary employee mobility among Saudi nationals independent of internal job satisfaction. Alternatively, these quotas may function as strong external push factors, significantly predicting voluntary employee mobility among Saudi nationals even when internal job satisfaction stays high.

1.5.3: Training Investment & Turnover Intention

- Corporate investment in workforce training programs is hypothesized not to influence the employee turnover plans of Saudi national professionals within talent-competitive sectors.
- Alternatively, corporate investment in workforce training programs may substantially reduce employee turnover plans, although this effect could be moderated by aggressive external competitor poaching.

1.5.4: Non-Monetary Strategies (Career Mapping)

- Implementing non-monetary retention strategies, such as customized career mapping, is believed to have no significant effect on reducing employee turnover intentions. Alternatively, such strategies may substantially reduce employee turnover intentions without causing wage inflation.

1.5.5: Sector-Specific Variations

- The negative performance impacts associated with rapid employee turnover are assumed to be uniform across all corporate industries in Saudi Arabia. Alternatively, these impacts may be significantly more pronounced in highly competitive, knowledge-based sectors such as Finance, IT, Healthcare, and Construction compared to other industries.

1.7 Research Model

Figure 1 presents the research model.

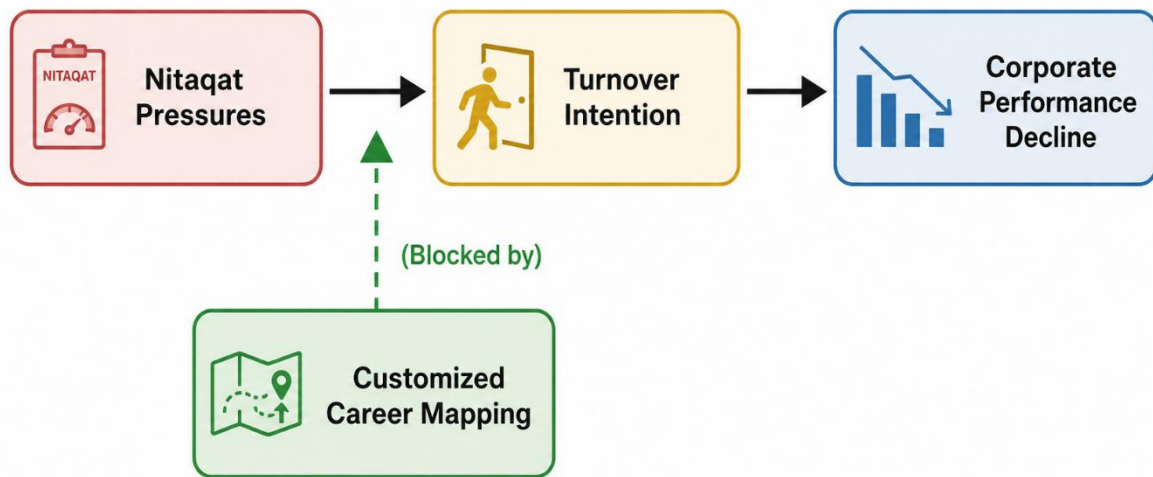


Figure 1. The research model diagram.

1.8 Research Methodology

This study uses a two-phase sequential explanatory mixed-methods design to quantify the impacts of employee turnover and examine the factors influencing these patterns under Nitaqat policies. A mixed-methods approach is optimal, as quantitative methods alone cannot capture the nuanced motivations behind turnover, while qualitative methods alone limit generalizability. The first phase uses surveys and company records to identify statistical trends in turnover costs and employee intentions. The second phase conducts qualitative interviews to

clarify the reasons and mechanisms behind these trends. This design ensures a rigorous and comprehensive analysis. Participants are sampled from four competitive Saudi industries: Finance, IT, Healthcare, and Construction. These sectors are selected for their significant contributions to GDP and employment, their importance to Vision 2030, and their high turnover rates. Quantitative data is collected through stratified random sampling of full-time Saudi professionals, supplemented by operational and financial profiles from HR or financial executives. Qualitative data is gathered through purposive sampling of 15 to 20 departing HR directors and 15 to 20 recently resigned Saudi professionals. HR directors must have at least three years in their current role, direct responsibility for retention or talent management, and experience in the target sectors. Resigned professionals must have left their roles within the past year, held mid-level or higher positions, and have sector experience in Finance, IT, Healthcare, or Construction. These criteria ensure the relevance and rigor of qualitative insights.

Data collection uses a three-level framework to measure all variables. Primary surveys assess job satisfaction, turnover intentions (Mobley's scale), and perceptions of poaching. To ensure validity and reliability, surveys will be pilot tested and established scales prioritized. Interview protocols will be reviewed by HR experts and checked for intercoder agreement during qualitative analysis. Additional validity steps include member checking, where summary findings are shared with some interviewees for confirmation, and triangulation by cross-verifying interview data with survey trends and company records. Corporate metrics track financial losses from recruitment fees, onboarding costs, and project delays. Macro-level data includes national labor statistics from GASTAT and compliance benchmarks from [MHRSD](#). Quantitative data will be analyzed using multiple linear regression or Structural Equation

Modeling (SEM) to evaluate relationships among government pressures, turnover, and performance, with Hayes' PROCESS Macro testing if career mapping reduces turnover. Qualitative data will be analyzed using NVivo and Thematic Analysis to code interview transcripts for themes related to the "Nitaqat bidding war."

1.9 Scope of The Study

The topical and conceptual scope of this study centers strictly on how Nitaqat Mutawar nationalization quotas affect voluntary mobility of Saudi employees and corporate performance. Within this system, the research tests traditional Western turnover models by Mobley (1977) and Price (2001) in a regulated market. It evaluates regulatory forces and training investments as independent variables, employee staff turnover intentions as a mediating variable, career mapping as a moderating variable, and financial overhead and project delays as dependent variables.

Geographically and regulatorily, the research is contained within Saudi Arabia, focusing on major economic hubs like Riyadh, Jeddah, and the Eastern Province. The study operates within the modern context of Saudi Vision 2030, utilizing active labor benchmarks from the Ministry of Human Resources and Social Development (MHRSD) and economic data from the General Authority for Statistics (GASTAT).

Sectorally, the target population is limited to four high-skill industries: Finance, Information Technology (IT), Healthcare, and Construction. Data collection is restricted to full-time Saudi national professionals and corporate

executives managing compliance or budgets, while expatriate workforce turnover is completely excluded from the study.

Methodologically, the study uses a cross-sectional, sequential explanatory mixed-methods design. The data volume is limited to 350–400 employee surveys, 80–100 corporate profiles, and 30–40 semi-structured interviews, excluding long-term tracking. Ethical protections require signed digital consent, complete anonymity for individuals and corporate financial records, and protected data storage on password-protected servers for academic use only. All research data will be stored on secure, encrypted university servers with access strictly limited to the principal investigator and authorized members of the research team. Identifiable information will be replaced with unique codes to maintain participant confidentiality, and master code sheets will be kept in a separate, password-protected file accessible only to the principal investigator. Raw data will not be shared with third parties, and findings will be reported in aggregate form only. At the completion of the research, data will be retained for a specified period in accordance with university policy before being securely deleted. Prior to commencing data collection, the research procedures and instruments will be submitted for review and approval by the Institutional Review Board (IRB) or equivalent ethics committee at Midocean University to guarantee compliance with academic and regulatory standards. All research activities will be conducted in accordance with the approvals and protocols issued by the relevant oversight body.

1.10 The Suggested Project Structure

The proposed structure for the research project is as follows (Midocean University, 2026):

Chapter 1: Introduction

- 1.1 Context of the Study: Overview of Saudi Vision 2030 and [Nitaqat](#) policies.
- 1.2 Research Problem: Operational friction, financial strains, as well as strategic vulnerabilities.
- 1.3 Research Questions & Objectives: Primary and sub-questions/objectives (QUAN and qual).
- 1.4 Research Hypotheses: Formal statements evaluating the paths of your variables.
- 1.5 Significance of the Study: Theoretical (recalibrating Mobley/Price) and Practical (HR/CFO playbooks).
- 1.6 Scope and Delimitations: Boundaries regarding target sectors (IT, Finance, Healthcare, Construction).
- 1.7 Definition of Terms: Operational definitions (e.g., Saudization, Turnover Intention, Career Mapping).

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