

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.

Marwah Saleh Al-Rasheed

.....

Graduation Project – 1

Faculty of Management - Midocean University

Supervisor

Dr. Abdulraheem Nader

Faculty member- Faculty of management- Midocean University

20.6.2026 – Term

Chapter 1: Introduction

Saudi Vision 2030 has initiated a transition within the Saudi private sector toward a competitive, knowledge-based economy. To facilitate this transformation, the government enforces stringent Nitaqat (Saudization) regulations, requiring corporate firms to hire, develop, and retain Saudi nationals. These quotas have intensified competition for qualified local talent, particularly in sectors such as finance, information technology, healthcare, and construction. As organizations in these industries compete for talent, professionals increasingly move between firms in pursuit of improved incentives. Examining the impact of this elevated employee mobility on corporate performance in these sectors is essential for achieving sustainable business development in Saudi Arabia.

1.1 Research Problem

Rapid employee turnover presents significant challenges for private firms in Saudi Arabia. While labor localization policies have increased the presence of national talent in corporate roles, individual firms experience a continuous cycle of recruitment, onboarding, and resignation. This research examines the implications of ongoing employee mobility for organizational growth, addressing these issues in detail in the following two chapters.

1.1.1 Abrupt employee exits create immediate workflow bottlenecks and unexpected financial strains. Firms must absorb high expenses related to

offboarding, the recruitment agency fees, the marketing of open roles, and the training of new staff. Operationally, project delivery timelines face extensive delays, team morale drops due to sudden workload imbalances, and daily workflow efficiency declines significantly while new hires clear their learning curves.

1.1.2 Strategic Vulnerabilities and Performance Decline Chronic turnover creates deep strategic vulnerabilities that erode long-term corporate competitiveness. According to a study by Adel Alsulami and Salem Alqarni, training programs in Saudi Arabia's private sector are designed to reduce employee turnover intentions, yet businesses still face challenges when employees take their newly acquired skills to competitors, which can disrupt strategy and impact service quality.

1.2 Research Significance

This study advances human resource management literature by bridging Western-centric turnover frameworks with the unique socio-economic realities of an emerging Gulf economy using a rigorous mixed-methods approach. The methodology involves employing a mixed-methods framework that intersects organizational metrics and intention scales with qualitative data gathered from departing HR directors and departing employees, supplemented by macro-level data from GASTAT and MHRSD to analyze employee turnover dynamics in Saudi Arabia.

1.2.1 At the Theoretical Level:

Applying traditional Western turnover frameworks like Mobley's or Price's to state-driven economies require moving past standard open-market assumptions where employment transitions are viewed solely as linear, self-interested calculations, predictable calculations of costs and open opportunities. Instead, this

research addresses the complex task of recalibrating behavioral indicators to align with a strictly managed environment dictated by mandatory nationalization targets and influential cultural frameworks.

Integrating Regulatory Push Factors: It contributes a unique perspective to management theory by showing how government-imposed regulatory quotas—rather than just internal job dissatisfaction—induce voluntary employee movement.

Expanding Regional Empirical Literature: It enriches Gulf Cooperation Council (GCC) business literature by documenting the exact structural relationship between high talent mobility and institutional performance decline under aggressive nationalization deadlines.

1.2.2 At the Practical Level:

Actionable Retention Playbooks: This research provides Saudi HR practitioners with data-driven, non-monetary retention strategies—such as customized career mapping—to mitigate the talent war without driving market-wide wage inflation.

Quantifying Hidden Costs: It offers senior executives and CFOs a clear framework to measure and control the operational friction, training losses, and project delays caused by rapid job transitions.

Informing Labor Policymakers: The findings offer valuable empirical feedback to entities like the Ministry of Human Resources and Social Development (MHRSD) on how sector-specific Nitaqat quotas affect long-term corporate competitiveness and workforce stability.

References:

1. Ministry of Human Resources and Social Development (MHRSD). (2026). The Procedural Guide for the Developed Nitaqat Program (Nitaqat Mutawar). Kingdom of Saudi Arabia. Available at: <https://hrsd.gov.sa/>
2. Saudi Vision 2030. (2021). Human Capability Development Program (HCDP) Delivery Plan. Vision Realization Office, Riyadh. Available at: <https://www.vision2030.gov.sa/v2030/vrps/hcdp/>
3. Mobley, W. H. (1977). Intermediate linkages in the relationship between job satisfaction and employee turnover. *Journal of Applied Psychology*, 62(2), 237–240. Available at: <https://doi.org/10.1037/0021-9010.62.2.237>.
4. Price, J. L. (2001). Reflections on the determinants of voluntary turnover. *International Journal of Manpower*, 22(7), 600–624. Available at: <https://doi.org/10.1108/EUM0000000006233>.
5. Mercans Corporate Registry. (2026). The New Nitaqat Phase: Quotas, Bands, and Profession-Level Compliance Rules for Saudi Employers. *Global Labor Compliance Reports*. Available at: <https://mercans.com/knowledge-center/saudi-arabia-nitaqat/>.
6. Alsulami, A., & Alqarni, S. (2024). The relationship between training and employee turnover intentions in the private sector in Saudi Arabia. *International Journal of Human Resource Studies*, 14(2), 45–58. https://www.researchgate.net/publication/381299027_The_Relationship_Between_Training_and_Employee_Turnover_Intentions_in_the_Private_Sector_in_Saudi_Arabia