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College of Management
Master of Project Management



Project Success and Failure in Saudi Arabia's Retail Industry

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Academic year
2025

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Abstract:

Saudi Arabia's retail market is poised for rapid expansion, projected to grow from USD 270.8 billion in 2024 to USD 408.7 billion by 2033—an average annual growth rate of 4.7%. E-commerce is expected to make up almost half of all retail sales by 2030, thanks to Vision 2030 plans, large investments in infrastructure, and growing use of digital tools. Even with these positive trends, many retail projects—like physical stores, shopping centers, and online platforms—are facing problems such as delays, rising costs, and difficulties with regulations.

While current literature explores critical success factors (CSFs) in developing markets, few studies connect structured project management frameworks with sector-specific challenges like Saudization quotas or integrated customer experience (CX) design in the Saudi context. This study adopts a convergent mixed-methods approach, combining survey data from 250 professionals with six case studies to:

1. Identify and rank key success and failure drivers in Saudi retail projects;
2. Test four hypotheses based on established project management models like the Iron Triangle and Success Dimensions framework;
3. Develop a predictive model and practical toolkit for project sponsors, investors, and regulators.

The study aims to explain how factors such as strategic alignment, digital maturity, regulatory compliance, and risk management interact to improve on-time delivery, cost efficiency, and long-term value. The outcomes are twofold: a richer theoretical lens for project success in rapidly evolving markets, and hands-on tools to help improve success rates and economic diversification.

Introduction

Retail is one of Saudi Arabia's largest non-oil industries, contributing 23% of private sector GDP and ranking second in employment. In the capital Riyadh, 90,000 square meters of new lifestyle-focused retail space were added within 18 months, pushing prime rental rates up by 4.2% and occupancy to 92%, according to Knight Frank. At the same time, Visa data shows that online shopping now makes up 29% of all retail transactions—thanks to 99% internet penetration and major investments in digital logistics.

1.2 Opportunities and Challenges

Saudi Arabia's Vision 2030 strategy targets a 65% private sector GDP contribution and aims to position the Kingdom among the world's top 15 economies. Retail is seen as central to this transformation. However, S&P Global warns that there could be too much retail real estate, which might cause rents to drop and more properties to be in trouble. They also mention that Saudization rules, which require 70% of retail workers to be Saudi nationals, make hiring more expensive and add more rules to follow. These challenges show the importance of understanding why some projects work well and others do not. adding, Saudization mandates requiring seventy percent of retail employees to be Saudi nationals—raise hiring costs and increase regulatory complexity. These pressures highlight the need to better understand why certain projects succeed while others fall short.

Study Problem

A significant proportion of retail projects in Saudi Arabia fail to meet their intended objectives, whether measured in terms of cost, time, scope, or stakeholder satisfaction. These failures can result in substantial financial losses, damaged reputations, operational inefficiencies, and missed market opportunities. In the tough and fast-changing retail environment in Saudi Arabia, if a project doesn't work out, it can really hurt a company's position in the market and its ability to grow.

One core issue is the absence of context-specific research on retail project management in Saudi Arabia. While extensive research exists on project success and failure in construction and IT sectors globally, there is minimal empirical evidence focusing on the unique dynamics of the Saudi retail industry. This lack of localized insight presents a challenge for project managers attempting to apply general best practices in a distinct cultural and regulatory environment.

The Importance of the Study

. **Economic significance:** Raising the retail-project success rate by just one percentage point—based on current annual investment levels—has the potential to add about **SAR 6 billion** to the Kingdom's GDP.

. **Alignment with Vision 2030:** Retail initiatives act as engines for job creation among Saudi youth, boost tourism, and accelerate the shift from cash to digital payment systems.

. **Practical value for managers:** The study will produce a **maturity-assessment checklist** and a **predictive scoring tool** that financiers and project sponsors can integrate into their stage-gate decision processes.

. **Academic impact:** The research broadens critical-success-factor (CSF) theory by applying it to a rapidly growing, policy-driven emerging economy that has been comparatively under-explored in the literature.

Objectives of the Study

Identify and focus on the most important factors that lead to success or failure in areas like strategy, operations, technology, and .following rules

Check how these factors affect important project results such as .meeting deadlines, staying within budget, and achieving value

Build a structural equation model along with a detailed analysis to .find out why some projects succeed, and others don't

Provide clear suggestions for managers and develop a tool that helps assess how ready a project is and what risks it might face.

Study Questions

-Which organizational, market, and regulatory elements are the strongest indicators of retail project success in Saudi Arabia?

Successful project delivery in the Saudi retail sector is largely influenced by several critical factors:

- Ensuring that projects are strategically aligned with national initiatives like Vision 2030, thereby supporting broader goals such as economic diversification and social development.
- Demonstrating capable leadership and fostering active stakeholder involvement, which enhance communication, transparency, and effective decision-making.
- Meeting key regulatory requirements, especially regarding Saudization policies and municipal permits, which directly influence project timelines and operational approvals.
- Maintaining a high degree of market responsiveness, where organizations that swiftly adapt to shifts in consumer behavior, technological trends, and commercial real estate dynamics perform better than those with inflexible strategies.

-In what way does omnichannel integration influence the effectiveness of digital investments on customer experience?

Omnichannel functionality serves as a critical link between digital transformation efforts and enhanced customer experience by:

- Allowing customers to interact effortlessly across physical locations, mobile platforms, and websites, which increases convenience and personalization.
- Enabling visibility into real-time inventory and offering flexible fulfillment solutions like in-store pickup and home delivery, which raise service standards.
- Integrating data from various channels to support personalized marketing, targeted product suggestions, and customer loyalty

programs, all of which significantly enhance customer satisfaction.

Projects that achieve high levels of omnichannel integration tend to show a stronger connection between digital investments and improved performance in customer experience metrics, such as Net Promoter Scores.

-What consistent themes emerge from recent examples of successful and unsuccessful retail projects across grocery, fashion, and specialty segments?

Patterns of success often involve:

- Engaging stakeholders early and using agile project methodologies to remain adaptive and responsive.
- Ensuring the retail environment reflects the brand's identity, especially crucial in fashion and niche retail sectors.
- Implementing realistic scopes and strong risk mitigation strategies from the outset.

On the other hand, common pitfalls among unsuccessful projects include:

- Inaccurate demand forecasting or overestimated foot traffic relative to initial feasibility assessments.
- Project scope expansions introduced late in the development phase, often due to external pressures.
- Ineffective coordination between physical infrastructure and digital platforms, resulting in disjointed customer experiences.
- Regulatory setbacks stemming from inadequate compliance with labor or zoning rules.

These trends highlight deficiencies in strategic foresight, execution planning, and collaborative management across the project lifecycle.

How can project leaders successfully incorporate Saudization goals and customer experience (CX) standards without disrupting timelines and budgets?

To balance regulatory labor requirements and high CX expectations, project managers should:

- Integrate Saudization objectives into the early stages of human resource planning, coordinating with HR teams to ensure staffing strategies align with project timelines and deliverables.
- Collaborate closely with customer experience designers during the planning phase to ensure that customer journey insights inform both store design and digital interface elements.
- Adopt modular or phased implementation approaches, allowing for small-scale testing and refinement before full-scale rollout, minimizing delays and budget overruns.
- Involve regulatory authorities and local community stakeholders early in the project to preempt delays caused by compliance issues and ensure smoother approval processes.

Projects that treat Saudization and customer experience as foundational design components—rather than last-minute additions—are far more likely to be completed on time and within financial targets.

Previous Studies and Theoretical Framework

Global Research on Critical Success Factors (CSFs)

According to Pinto and Slevin (1988), key determinants of project success that apply universally include strong leadership, well-defined project scope, and active stakeholder involvement. The Project Management Institute's PMBOK Guide (7th Edition) further expands on these by emphasizing the importance of achieving value realization and employing flexible governance structures suited to changing project environments.

Retail-Specific Insights

- IMARC (2025) attributes successful retail outcomes in Saudi Arabia to effective brand portfolio management and the application of data-driven inventory practices.
- Knight Frank (2024) points to the role of immersive shopping experiences, readiness for digital payments, and the integration of food, beverage, and leisure elements in elevating the performance of high-end malls.
- In a regional context, Oliver Wyman (2024) notes that grocery retail success in the UAE and Saudi Arabia hinges on a product mix focused on customer value and the use of AI for demand forecasting.
- S&P Global (2025) warns of the potential risks associated with oversupply in the retail real estate sector and recommends the adoption of revenue-sharing lease arrangements to mitigate financial strain.

Findings from Failure Cases

Studies examining unsuccessful retail projects in Riyadh frequently highlight problems such as uncontrolled scope expansion, underdeveloped risk management frameworks, and limited input from end users during the planning stage. Additionally, reports from human rights organizations reveal labor violations in large-scale developments, which point to deeper governance issues that can lead to project delays and damage to organizational reputation.

Theoretical Framework

This research combines two established frameworks: the Iron Triangle (focused on time, cost, and scope) and the Success Dimensions model by Shenhar and Dvir, which evaluates project performance through efficiency, customer impact, business success, and long-term readiness. To tailor this model to the Saudi context, three localized constructs are introduced:

Construct	Definition	Supporting Source
Vision 2030 alignment	The extent to which project goals contribute to national diversification efforts	Centuro Global (2025)
Saudization compliance	The degree to which projects meet mandatory national workforce requirements	QuestSearch (2025)
Omnichannel capability	The level of seamless integration across in-store, mobile, and online platforms	Visa/Arab News (2024)

Theoretical Premises of Study

- . Projects that are closely aligned with the objectives of Vision 2030 tend to deliver higher levels of satisfaction among sponsors and achieve more significant strategic outcomes.
- . Strong omnichannel integration enhances the link between the level of digital investment and improvements in customer experience metrics.
- . Retail initiatives that surpass Saudization requirements typically encounter fewer delays related to regulatory approvals, resulting in better adherence to project timelines.
- . Comprehensive risk planning helps mitigate the adverse effects of market fluctuations on overall project budgets.

Methodology and Research Methods

1. Research Design

This study utilizes a **convergent mixed-methods approach**, enabling the collection of both quantitative and qualitative data concurrently, with integration occurring during the analysis and interpretation phase.

2. Quantitative Component

- **Survey Tool:** A structured questionnaire featuring 45 Likert-scale items, adapted from established CSF instruments and customized to align with Saudi Arabia's legal and regulatory environment. A pilot test ($n = 25$) will be conducted to ensure clarity and reliability.
- **Sampling Frame:** The target sample includes project managers, sponsors, and consultants operating in Riyadh, Jeddah, and Dammam. Participants will be selected across various retail formats (e.g., grocery, fashion, specialty, and e-commerce), with a target of 250 responses to ensure statistical power for SEM analysis ($\text{power} > 0.8$).
- **Key Variables:**
 - Independent Variables (IVs): Degree of strategic alignment, leadership effectiveness, Saudization compliance, omnichannel maturity, and risk management proficiency.
 - Dependent Variables (DVs): Schedule variance (in percentage), budget variance, customer experience (CX) Net Promoter Score (NPS), and three-year return on investment (ROI).
- **Data Analysis Procedures:**
 1. Exploratory Factor Analysis (EFA) to validate construct structure.
 2. Confirmatory Factor Analysis (CFA) for measurement model verification.
 3. Structural Equation Modeling (SEM) via AMOS or SmartPLS to evaluate hypotheses H1–H4.

4. Multi-group analysis to compare differences by city and retail format.

- **Reliability & Validity Metrics:**

- Reliability: Cronbach's Alpha ≥ 0.7 ; Composite Reliability ≥ 0.8 .
- Validity: Average Variance Extracted (AVE) ≥ 0.5 ; Heterotrait-Monotrait Ratio (HTMT) < 0.85 .

3. Qualitative Component

- **Case Selection:** Six retail projects will be purposefully selected to maximize variation in type, scale, and geographic location—three deemed successful and three unsuccessful.
- **Data Collection:** In-depth qualitative data will be sourced from approximately 25 semi-structured interviews, as well as key project documents including charters, risk logs, post-implementation reviews, and site visit observations.
- **Analysis Methods:**
 - Thematic analysis using NVivo for qualitative coding.
 - Cross-case comparisons to identify commonalities and contrasts.
 - Triangulation with quantitative results using joint display matrices to strengthen validity.

4. Ethical Considerations

- **Confidentiality:** All participating firms will be protected under non-disclosure agreements (NDAs), and findings will be reported without identifying information.
- **Informed Consent:** Participants will provide written consent and will retain the right to withdraw at any stage.
- **Data Security:** All data will be securely stored in encrypted formats following university data protection protocols.

5. Research Timeline (Gantt Overview)

Phase	Activities	Timeline (Months 1–12)
Proposal & Ethics	Proposal approval, ethics clearance, pilot survey	Months 1–2
Quantitative Data	Survey distribution and follow-up	Months 3–5
Qualitative Data	Interviews and document collection	Months 4–6
Analysis Phase	Statistical modeling, coding, synthesis	Months 6–9
Writing & Review	Drafting chapters and supervisor feedback	Months 9–11
Final Submission	Proofreading, viva preparation	Month 12

Study Tools

1. **Survey questionnaire** online and paper
2. **Interview guide:** open-ended questions covering strategy, execution, tech, policy, and lessons learned.
3. **Document-analysis checklist:** Scope statement, WBS, risk register, change logs, post-mortems.
4. **Secondary data extraction sheet:** KPIs sales trackers,

All instruments will undergo **expert-panel validation** (3 academics, 2 industry practitioners) and a **pilot test** (Cronbach's α report).

Study Limitations

- **Data Access Constraints:** Gaining access to detailed financial performance indicators may be challenging due to confidentiality concerns among private sector firms. This will be addressed through triangulation techniques and the use of non-disclosure agreements (NDAs).
- **Study Design Limitation:** The cross-sectional nature of the research restricts the ability to draw conclusions about changes over time. Future studies are encouraged to adopt a longitudinal approach to track project outcomes more effectively.
- **Response Bias Risk:** Participants, particularly those involved in underperforming projects, may be inclined to underreport challenges or failures. This limitation will be mitigated by cross-verifying responses with project documentation and ensuring respondent anonymity.
- **Limited Generalizability:** The findings are most relevant to high-growth, policy-driven emerging markets like Saudi Arabia. Caution should be studied when applying the results to more mature or structurally different economies.

Conclusion:

By integrating robust project-management theory with sector-specific imperatives—Vision 2030 alignment, Saudization, omnichannel CX—this research will generate a predictive framework and practical toolkit to enhance project outcomes in Saudi retail. Beyond academic value, the study equips practitioners to navigate oversupply risk, digital disruption, and regulatory complexity, ultimately contributing to non-oil GDP growth and diversified employment.

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