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**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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Table of Contents

1. Chapter 1: Introduction.....	2
1.1. Research Background.....	3
1.2. Research Problem.....	3
1.2.1. Theoretical Gaps	3
1.2.2. Practical Gaps	4
1.3. Research Significance	4
1.3.1. Theoretical Level	4
1.3.2. Practical Level	5
1.4. Research Questions	5
1.5. Research Objectives	5
1.6. Research Hypotheses	6
1.7. Research Model	7
1.8. Research Methodology	8
1.9. Scope of Study	9
1.10. The Suggested Project Structure	10
2. Chapter 2: Literature Review	11
2.1. Introduction	12
2.2. The Independent Variable	12
2.3. The Dependent Variable	13
2.4. The Relationship Between the Independent and The Dependent Variables	14
2.5. Conclusion	15
References	16

Chapter 1: Introduction

1.1 Research Background

Saudi Arabia's private sector is now more competitive and focused on knowledge-driven growth due to Saudi Vision 2030. Nitaqat quotas require companies to hire Saudi nationals, increasing competition for skilled workers in finance, IT, healthcare, and construction. This has led to more job changes as professionals look for better opportunities. Understanding how this turnover affects organizational performance is key to supporting prolonged growth. Evaluating the effects of this increased employee mobility on corporate performance is essential for sustainable business development in Saudi Arabia.

1.2 Research Problem

High employee turnover continues as a major challenge for private companies in Saudi Arabia, despite increased local hiring. Organizations must repeatedly recruit and onboard new staff, which slows their growth. This study considers how frequent employee movement affects organizational performance.

1.2.1 Sudden employee departures

Sudden employee departures create workflow bottlenecks and increase costs for offboarding, recruitment, and training. The disruptions can delay projects and lower team morale, reducing functional efficiency until the new staff adjusts.

1.2.2 Strategic Vulnerabilities and Performance Decline

Persistent staff turnover creates strategic weaknesses that can hurt a company's long-term competitiveness. Adel Alsulami and Salem Alqarni note that training programs in Saudi private companies aim to reduce employees' intentions to leave. However, organizations still struggle when employees take their skills to competitors. This movement disrupts strategic projects and lowers service quality.

1.3 Research Significance

The study applies established Western turnover models to the Saudi situation, making use of both quantitative and qualitative data. It identifies the key factors that cause turnover and develops practical strategies for regulators operating under the country's local policies. The findings aim to assist both theoretical understanding and practical decision-making.

The study advances HR literature by applying Western turnover frameworks to the Gulf region; it does so by combining trends, exit interviews, and macro-level data (GASTAT and MHRSD), providing a thorough analysis of the factors that drive turnover in Saudi Arabia. The importance of this research is presented in two main areas:

1.3.1 At the Theoretical Level

If traditional Western turnover models, for example those created by Mobley and Price, are to be applied to state-directed economies such as Saudi Arabia, it is necessary to go beyond the assumptions associated with open markets. Mobley's model was chosen because of the strong framework it provides for connecting job satisfaction with turnover plans, and Price's model was selected because it directly accounts for organizational and environmental aspects. Both models are well established in empirical research on turnover and offer systematic structures for studying the turnover process. Their frameworks might be modified to emphasize the differences in market structures, including those found in Saudi Arabia.

In particular, their emphasis on individual attitudes and the organizational context provides a flexible foundation for investigating the special features of the Saudi labor market, such as state intervention and regulatory requirements. The adaptation process initiated with a literature review to identify the limitations of Western models in the Saudi context, followed by consultations with human resources experts and academics from the Gulf region to determine which predictors remain relevant in light of domestic rules. The revised model was tested in a pilot study with Saudi human resources managers. As a result, the adapted framework replaced individual job satisfaction with regulatory compliance as the main predictor of turnover and

included factors such as obligations to national labor policies, the influence of domestic and tribal networks, and sensitivity to government quotas. These adaptations enable the model to more accurately reflect the regulatory and cultural forces affecting employee retention and turnover in the Saudi private sector.

Regulatory pressure has a great effect; the study shows that it is the government-mandated quotas, not merely dissatisfaction with one's job, which is the main reason for voluntary employee turnover, providing a new perspective for management theory.

The study employs regional empirical data to show that high rates of talent mobility are associated with a deterioration in organizational performance, especially when there are strict nationalization deadlines.

1.3.2 At the Practical Level

The research suggests Saudi HR professionals' retention strategies that go beyond higher pay, such as customized career planning. The study will measure how well these strategies work using retention rates, employee engagement, and HR feedback, with examples from different sectors. It will compare the impact of each strategy in Finance, IT, Healthcare, and Construction by looking at sector-specific data and feedback. This comparison will highlight the most effective methods in each sector and reveal special challenges, guaranteeing the recommendations are practical and designed for the Saudi private sector.

The study gives senior executives and CFOs a framework to assess and manage operational friction, training losses, and project delays caused by rapid employee turnover. The results give policymakers, including those at the Ministry of Human Resources and Social Development (MHRSD), awareness of how Nitaqat quotas affect company competitiveness and workforce steadiness.

1.4 Research Questions

- To what extent does the rapid turnover of employees correspond with measurable delays in the completion of projects and a general decline in corporate productivity?

- What impact does the substitution of staff during the offboarding process, recruitment, and onboarding have on the operational budgets of companies in industries that are competitive for talent?
- What kind of hidden costs arising from turnover are there in various industries (for example, IT, Finance, Healthcare, and Construction)?
- What role do the regulatory quotas set by the government play as external 'push factors' and thereby lead employees to move voluntarily, no matter how satisfied they are with their jobs?
- What do former human resources professionals consider to be the most effective non-monetary organizational measures (for example, customized career planning) for reducing the number of employees who intend to leave?
- How do local cultural systems and the economic objectives promoted by the state modify the application of traditional open-market turnover models (for example, Mobley's or Price's) to Saudi national talent?

1.5 Research Objectives

The following objectives are meant to address the research questions directly.

- Evaluate the direct link between employee turnover rates and operational indicators such as project delays and productivity declines.
- Assess the financial impact of staff turnover by calculating the costs of offboarding, recruiting, and onboarding replacement employees.
- Examine how turnover costs vary across the main target sectors: Finance, IT, Healthcare, and Construction.
- Evaluate how much government-imposed nationalization quotas (Nitaqat) act as an external factor that leads employees to move voluntarily, beyond the influence of job satisfaction.

- The study adapts existing Western turnover models to fit Saudi Arabia's regulatory and socio-economic conditions. It analyzes how regulatory systems framework and industry-specific factors influence employee mobility, turnover costs, and retention strategies.

1.6 Research Hypothesis

This department sets out five core hypotheses testing the drivers and organizational impacts of Saudi corporate turnover. Together, they research how regulatory quotas, corporate training, non-monetary motivations, and industry differences influence employee mobility.

1.6.1: Financial Impact & Operational Friction

Some believe that high employee turnover resulting from regulatory issues does not significantly affect operating expenses or project timeframes in Saudi Arabia's private sector. However, this turnover may greatly increase operational friction, causing higher recruitment costs and project delays.

1.6.2: Regulatory "Push" vs. Job Satisfaction

Some argue that strict Nitaqat (Saudization) quota targets do not affect the voluntary movement of Saudi nationals, regardless of job satisfaction. However, these quotas may act as strong external factors that push people to leave, strongly affecting voluntary mobility even when job satisfaction is high. It is believed that the amount that companies spend on training has no effect on the intention of Saudi professionals to leave when the fields in question are highly competitive. Alternatively, investing in workforce training could greatly reduce employee turnover, though this effect may be weakened by aggressive recruitment from competitors.

1.6.3: 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.

1.6.4: Non-Monetary Strategies (Career Mapping)

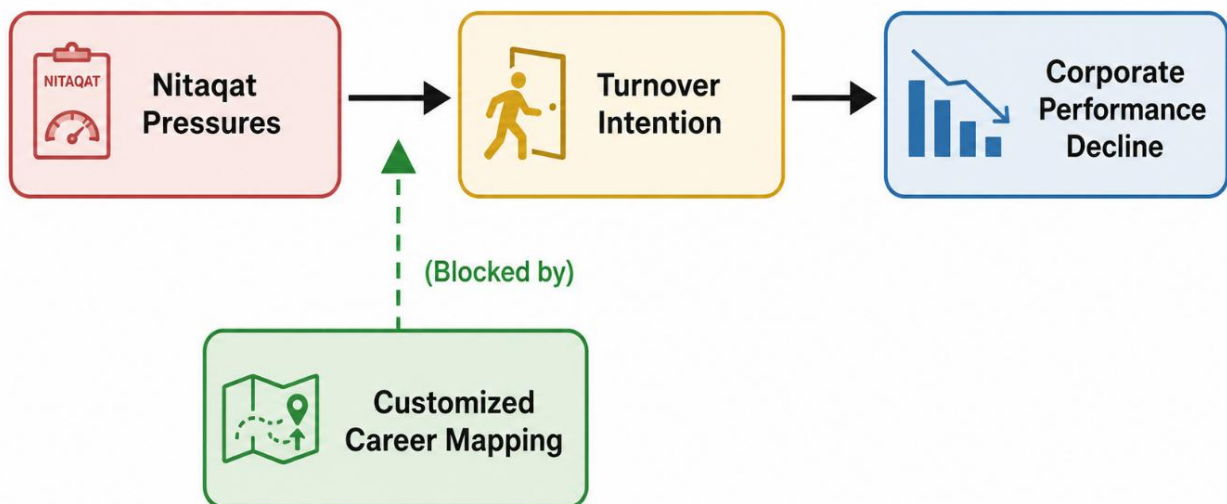
Implementing non-monetary retention strategies, such as customized career mapping, is believed to have no significant effect on reducing employee turnover intentions. Alternatively, such strategies may substantially reduce employee turnover intentions without causing wage inflation.

1.6.5: Sector-Specific Variations

The negative performance impacts associated with rapid employee turnover are assumed to be uniform across all corporate industries in Saudi Arabia. It is believed that the negative consequences of rapid employee turnover are the same in all corporate sectors; yet they could be considerably more severe in highly competitive, knowledge-based areas such as Finance, IT, Healthcare, and Construction.

1.7 Research Model

Figure 1 presents the research model diagram:



1.8 Research Methodology

The study uses a two-phase mixed-methods approach to examine employee turnover under the Nitaqat system in Finance, IT, Healthcare, and Construction. Quantitative questionnaires will assess turnover trends and costs. Qualitative interviews with HR directors and former employees will explore the main reasons for staff movement and the effectiveness of non-monetary retention strategies. Data will be analyzed using structural equation modeling (SEM), regression analysis, and thematic coding to answer the research questions.

To ensure validity and reliability, all survey tools will be pre-tested, and triangulation will combine surveys, interviews, and official records. Inter-coder agreement in NVivo will be checked through training and double coding. Standardized procedures in both research phases will strengthen stringency and reliability. However, because the study uses a cross-sectional design, it cannot confirm causal links between turnover factors and organizational outcomes. Reverse causality and omitted variable bias are possible; for example, companies with operational problems may also have higher turnover.

To deal with these issues, the study will report potential sources of bias, include control variables in quantitative analyses, and use qualitative dialogues to examine alternative explanations and clarify the direction of relationships.

This approach explores how turnover models operate in different regulatory settings. By using multiple data sources and clear sampling methods, the study intends to give reliable, context-specific answers to each research question.

1.9 Scope of Study

The study applies the Mobley and Price models to examine the impact of Nitaqat quotas on overhead and project delays, which are treated as dependent variables. Data is collected via surveys and interviews in the Finance, IT, Healthcare, and Construction sectors across major cities, guaranteeing comprehensive coverage of each model component. This system has some limitations, such as conceivable response and social desirability biases.

To respond to these, the study will use demographic control variables, ensure participant anonymity, and run sensitivity analyses by removing outliers. These steps seek to improve the accuracy and validity of the results. Since the sample comes from major cities, the findings may not apply to rural areas or other industries. Recruitment and retention issues can differ in less-developed regions, where access to skilled labor and resources, and the effects of quotas, may not match those in urban sectors. Subsequent research should look at rural labor markets and other industries, as these could show different turnover patterns and affect policy and organizational strategies. Post-stratification weighting will help make the sample more representative. Voluntary participation may cause selection bias, as people with strong opinions are more likely to join. To address this, recruitment will focus on the need for different viewpoints, and the analysis will search for selection effects.

Given the cross-sectional design, the study cannot confirm causal effects or lasting effects. Interview-based process tracing will help clarify possible pathways, but any causal claims will remain tentative. Future research needs to employ extended designs, cover a wider range of regions and industries, and include expatriates. All research procedures will follow ethical criteria as approved by the institutional review board. Informed digital consent will be obtained from every participant before data collection, and participation will be voluntary. Data will be processed with the strictest attention to confidentiality and security; all collected information will be anonymized and securely stored, with access limited to the research team. These practices ensure full compliance with academic research standards regarding participant rights and data protection.

1.10 The Suggested Project Structure

To provide a precise roadmap for the study, the project will follow the framework outlined below

(Midocean University, 2026):

Chapter 1: Introduction

1.1 The background of the study: a summary of Saudi Vision 2030 and the Nitaqat policies.

The problems relating to the research are operational friction, financial difficulties, and managerial weaknesses.

1.3 Research Questions & Objectives: Main and sub-questions or objectives (QUAN and qual).

1.4 Research Hypotheses: These are formal statements that evaluate the relationships between your variables.

1.5 The theoretical importance of the study (in revising the views of Mobley and Price) and its practical value (in the HR and CFO playbooks).

1.6 Scope and Delimitations: The IT, Finance, and Healthcare sectors are the ones specified as the target sectors.

1.7 Definition of Terms: operational definitions (for example, Saudization, turnover intention, career mapping).

The research methodology adopted a sequential explanatory mixed methodology approach that used surveys, corporate data, and specialist interviews; the data were analyzed using structural equation modeling and thematic coding.

The study centers only on Saudi citizens employed in the fields of information technology, finance, healthcare, and construction in the major regional centers, as specified by the Vision 2030 regulations.

Chapter 2: Literature Review

2.1 Introduction: Adjusting the turnover models suggested by Mobley in 1977 and by Price in 2001 to fit the regulatory framework set out in Saudi Arabia's Vision 2030.

The independent variables are the assessment of the Nitaqat quotas as a source of pressure on mobility and corporate training as a factor encouraging staff poaching.

2.3 The dependent variables were the direct recruitment and separation costs as well as the operational friction leading to project delays.

2.4 The connection between variables: linking compliance pressures and training programs to organizational costs and operational breakdowns.

2.5 Conclusion: A summary of the existing literature on mobility together with the introduction of cost-neutral retention strategies (such as career mapping and mentorship).

Chapter 2: Literature Review

2.1. Introduction

This chapter reviews research on employee turnover, labor nationalization policies, and retention strategies in the context of Saudi Arabia's Vision 2030; the imposition of government-mandated Nitaqat quotas introduces compliance pressures that affect employee mobility independently of job satisfaction. To approach the unique aspects of the Saudi context, the chapter contextualizes and adapts traditional turnover models (Mobley, 1977; Price, 2001), critically evaluating their value in an economy formed by state-driven nationalization. Regarding regulatory requirements. The relevant literature connects to the research questions by showing how external regulatory factors and retention schemes affect turnover outcomes, monetary implications, and differences among sectors. As a result, the literature review highlights these external factors as primary causes of voluntary turnover. It guides theoretical and methodological approaches, pointing out the need to adapt standard models to the Saudi context.

The Price model, as applied by Gulf HR professionals, analyzes the influence of government quotas and labor market regulations on employee retention in Saudi companies. However, this model is grounded in Western assumptions, where job changes are mainly motivated by personal motivation and organizational incentives.

In the Saudi context, government regulations and quotas frequently outweigh personal job satisfaction as determinants of mobility. Additionally, Western models tend to overlook the impact of domestic ties and social networks on employment decisions in the Gulf region. The frameworks emphasize quantitative factors and frequently neglect the link between culture and policy. Therefore, while strategies such as career planning may be effective, research must include local regulatory and social conditions instead of relying exclusively on Western theoretical perspectives.

2.2. The Independent Variable

In studying talent mobility within the Saudi business sector, the independent variables represent the core external and organizational drivers predicted to influence employee turnover. Specifically, this section operationalizes two key predictors: government-mandated regulatory compliance under the Developed Nitaqat system and corporate training investments. By assessing these push-pull mechanisms and skill-enhancement initiatives, the study sets up a framework to evaluate their impact on voluntary turnover rates, financial expenses, and operational friction across major sectors.

2.2.1 The regulatory push and pull factors (Nitaqat quotas)

The primary external factor under investigation is the extent of government enforcement of labor localization policies, mainly through the Developed Nitaqat system administered by the Ministry of Human Resources and Social Development. In contrast to free-market economies, where staff turnover is typically driven by dissatisfaction, these government regulations exert substantial external pressure. The quotas require private companies in key sectors such as Finance, IT, Healthcare, and Construction to compete for Saudi employees to maintain their business licenses. Consequently, employees may change jobs even when otherwise satisfied with their current positions.

2.2.2 Corporate Training Investments

Corporate training is of great importance to Saudi companies as they strive to keep their employees. As Human Capital Theory states, training improves employees' skills and therefore raises their value within an organization. In a labor market regulated by strict quotas, such advanced skills also make employees more appealing to other employers. Research carried out in the Gulf area shows that training programs intended to improve employee retention can in fact lead to higher turnover, since trained employees become targets for recruitment by competitors. For example, Al-Shammari (2022) discovered that trained Saudi banking professionals were 18% more likely to be recruited by other firms, thus weakening retention

strategies. Alghamdi et al. (2019) found that extensive training in the Saudi healthcare sector increased the number of skilled staff leaving the company. Nevertheless, the way in which different kinds and levels of training interact with quota regulations in affecting retention is still not clear. The present study considers whether corporate training helps retain employees or instead aids competitor recruitment.

2.3. The Dependent Variable

The main outcomes influenced by employee turnover are financial costs and operational complications; this emphasis forms the basis for the detailed analysis that follows.

2.3.1 The costs of finance and recruitment

The principal financial consideration is the total of direct and indirect costs incurred by private companies due to frequent employee turnover. These expenses typically include administrative separation costs (often representing 10–20% of an employee's annual salary), recruitment agency fees, sign-on bonuses, and onboarding and training costs for new staff. Sector reports from Saudi Arabia indicate that replacing a skilled worker in sectors such as Finance, IT, Healthcare, and Construction can cost between SAR 25,000 and SAR 75,000 per employee, depending on role complexity and training needs. In these high-demand sectors, elevated turnover rates may increase annual operating expenses by 15–25%, as resources are redirected from core projects to ongoing recruitment and training efforts.

2.3.2 The effects of operational friction on project delays

The second area of consideration looks at the non-financial effects of the departure of skilled employees, such as disruptions to workflow, lower productivity, and project delays. When experienced Saudi staff turnover suddenly, knowledge is lost, and teams become unstable as new employees get used to their roles. This element examines the degree to which high turnover leads to operational difficulties, including project delays and a decline in service quality, in key industries.

2.4. The Relationship Between the Independent and The Dependent Variables

The presence of Nitaqat quotas and training schemes often leads to higher rates of job changes among employees in Saudi Arabia. To meet these regulations, companies in important sectors must devote extra resources to recruitment and training. Although effective training can improve employee engagement and loyalty, it might also increase turnover by making staff more attractive to competitors, which in turn raises costs and results in project delays. The relationship between quotas, training, and employee mobility depends on the effectiveness of the organization's retention strategies.

Employee turnover negatively impacts organizational performance. Although the purpose of training is to help retain staff members, it can also cause employees to look for better opportunities elsewhere. In this study, both numerical data and narrative interviews are used to examine the effects of the Nitaqat quotas and training on turnover. Structural equation modeling (SEM) will be applied to test the main model and examine the relationships between regulatory pressure, training, career mapping, and turnover. Regression analysis will be used to measure the effect of these factors on costs and on project delays. Furthermore, Hayes' PROCESS Macro will be used to assess how career mapping moderates the effects of training and quotas on turnover. The combination of these methods enables a full understanding of the interrelationships among the key variables.

2.5. Conclusion

This chapter has drawn together studies on workforce mobility in the context of Saudi Arabia's nationalization policies. When the turnover models proposed by Mobley in 1977 and Price in 2001 are set against the background of Vision 2030, it becomes clear that the Nitaqat quotas act as major external factors causing voluntary turnover in key sectors including Finance, IT, Healthcare, and Construction. To meet their policy goals and retain staff, companies should introduce non-monetary retention measures such as career planning, mentorship, and internal job rotations. Such measures help comply with regulations and improve staff retention exclude raising salaries. The literature review highlights practical, low-

cost methods for increasing staff satisfaction and development in Saudi Arabia. These outcomes inform the research design and link theory with actual problems.

By looking at these targeted approaches, the research hopes to find practical ways of supporting employee development and satisfaction without adding extra financial costs. The chapter also describes the research methodology as outlined in Chapter 3.

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