



Saudi Arabia

Catering for the Kingdom

MCDONALD'S SAUDI ARABIA REPORT ON LOCALIZATION OF THE WORKFORCE



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03	FOREWORD
04 – 09	HISTORICAL COMMITMENT
10 – 11	TACKLING SAUDI REALITIES
12	GOOD FOR BUSINESS
13	SENSE OF ACHIEVEMENT
14	ABOUT MCDONALD'S SAUDI ARABIA

McDonald's Saudi Arabia has come a long way since we began operations in 1993. Progress has been significant across all our areas of operation, but none more so than the advancements we have made in the localization of our workforce. This, of course isn't a journey we have made alone. The Saudi Government, and in particular the Ministry of Labor and the Human Resources Development Fund (HRDF), has played a pivotal role in helping us succeed. Without that support we would not be in the position we are in today – recognized as a pioneer in our localization within both our industry and in Saudi society in general.

Localization of the workforce is often misunderstood as simply an attempt to eject foreign workers and replace them with Saudi citizens. Generating local employment opportunities, creating a skilled workforce and giving preferential treatment to the local population are acknowledged worldwide as the right thing to do. More than the replacement of foreign labor, localization is about encouraging and enabling the large number of unemployed Saudi citizens, especially youth, to find employment. We – as a business community and as a nation – must never let that focus be diluted.

At McDonald's Saudi Arabia localization is a major success story. Our achievements in hiring, training and retaining a Saudi work force has been widely acknowledged both by the community and by government authorities whom have partnered with us. In the Quick Service Restaurant (QSR) sector, we clearly enjoy a leadership position not only in terms of developing our Saudi workforce, but also as a thought leader who has consistently adopted innovative schemes and practices to achieve our localization goals.

We are extremely proud of our achievements, particularly the fact that our Saudi and expatriate employees share a unique McDonald's family spirit



and culture that enable them to work as one team. The leadership and staff of McDonald's Saudi Arabia are often asked about the secrets of our success. If I were to give a one-word answer to that query, I would simply say 'commitment'. It is our commitment that has driven our localization program over the years, together with several initiatives and an organizational culture that lends itself to valuing, grooming and developing the local work force. But the fundamental driver has certainly been our commitment – supported at all steps of the journey by the commitment and support from the Government, the Ministry of Labor and the HRDF which have helped sustain the momentum of localization.

The cumulative impact of our efforts has evolved into what may be described as "McDonald's Saudi Arabia's best practice in localization". Our achievements have broken many myths and excuses that are often cited by observers and businesses as reasons why localization as a concept and program is doomed. These include the perceptions that Saudi youth cannot be motivated to work, that they are not committed and not open to change and that they cannot work harmoniously with expatriate workers in sectors such as ours. Our experience shows that it can succeed if we adopt culturally and socially appropriate policies and employment practices.

Localization has worked in our favor in many ways, but two are especially worth highlighting. We have always wanted our Saudi customers to fully enjoy the McDonald's experience, and clearly they feel more comfortable when they see a good mix of their compatriots and expatriates working in our outlets. Secondly, we have always endeavored to be seen as we are, a "Saudi company". Our success in employing Saudi nationals certainly helps boost our credentials as a responsible Saudi company.

The success of the localization of the workforce at McDonald's Saudi Arabia and its positive impact on the community have generated a lot of interest within government circles, among businesses and society in general. We are ready to share our experiences and the lessons learnt along the way with all interested parties – but particularly with young people aspiring to build new careers in whatever field they are interested in. We hope that our experience will encourage and inspire the Saudi private sector to look at new ways of offering career paths to Saudi nationals. We also hope that it will motivate youth to take a new approach to building a respectable career even if they have not managed to earn good educational qualifications.

It is with great pride, happiness and hope that I present this report. I am pleased to dedicate this report to the Saudi Leadership, Government, the Saudi private sector, the community and above all, the McDonald's family of Saudi and expatriate staff.

Mishaal bin Khalid Al Saud
President
Riyadh International
Catering Corporation (RICC)

HISTORICAL COMMITMENT

Localization of workforce and adapting to local conditions and culture have been at the top of McDonald's agenda for two decades

Localization of the workforce has been a key goal for McDonald's Saudi Arabia for much longer than it has been a talking point in the wider community, and well before the days of Nitaqat, the Saudi Government initiative announced in 2011. The company has been confronting the challenge of attracting more Saudi employees in a coordinated way since the late 90s, which is why today the company is recognized for its best practice in localization.

Building a Quick Service Restaurant (QSR) chain in the Kingdom involved overcoming many barriers, such as language, culture and societal attitudes (See Figure 1). Localization was another, and an issue that Riyadh International Catering Corporation (RICC) had confronted since opening its first branch in 1993 in the city of Riyadh – which was also the first restaurant to be opened in the Middle East region.

DRIVEN FROM THE TOP

The commitment to localization has only grown stronger over the years. Throughout the various initiatives and programs localization has been driven by RICC President Prince Mishaal bin Khalid Al Saud and Vice President Prince Waleed bin Nasser bin Farhan Al Saud, who leads the Localization Committee, together with the senior RICC management team. One of the initial challenges was to allay concerns among junior and mid-level managers that localization would result in the displacement of expatriate staff, but



PRINCE WALEED BIN NASSER BIN FARHAN AL SAUD, VICE PRESIDENT, CORPORATE AFFAIRS AT (RICC)

the senior team were quick to point out that those fears were misplaced in a rapidly growing organization.

The first McDonald's Saudi Arabia Localization Committee was established in 1996, just three years into the chain's operations in Saudi Arabia. The committee held monthly workshops and frequent meetings to discuss and develop new strategies. In those years, efforts focused on participating in Saudi Career Days, offering cash incentives for employee referrals and so on.

There were several barriers to overcome. First, young Saudis felt that without knowing English, they would not be able to build a successful career at McDonald's Saudi Arabia. The location of the restaurants was another issue because joining the company could mean long drives to distant restaurant locations. Saudi youth also had a problem with the work schedules that included day and night shifts and limited holidays, resulting in a high rate of attrition.

RECRUITMENT CENTERS

The early efforts did pay off, but not to the extent that was hoped for. By 2005, RICC had come to the conclusion that the company needed to double its efforts to boost localization. A new committee was established with higher internal annual targets. The goal was to incrementally grow Saudi workforce to 25 per cent, then 27 per cent and so on. Drastic action was called for.

One key new initiative launched in 2010 was the establishment of the McDonald's Saudi Arabia recruitment centers. The idea was to take McDonald's jobs to the people who needed them, rather than waiting for young Saudis to travel to the company headquarters in Riyadh. The centers were established as part of selected restaurants so candidates could simply walk in and apply for jobs. Most importantly, McDonald's Saudi Arabia trained 12 Arabic speaking managers as recruiters to ensure that the candidates felt totally comfortable in communicating – breaking one more barrier in the process.

The re-imagining of the recruitment process to adapt to localization needs went beyond re-siting recruitment centers, of course. The whole recruitment process was streamlined, introducing a three-day, simplified recruitment process which was introduced consisting of an interview, a visit to the medical clinic and the signing of the agreement.

For new Saudi recruits, the first taste of McDonald's Saudi Arabia, then, was encouraging. The challenge was to continue this local adaptation of the McDonald's culture and processes to the local market – and this is exactly what was done. Today, RICC's local talent development program stands out as a wholesome package that has absorbed and systematized the following initiatives and practices:

- A well-defined career path
- Fully Arabized international

- training curriculum and material
- On-the-job training and classroom coaching in English language and other new work and life skills
- Specially groomed Arabic-speaking trainers
- Friendly and welcoming environment
- Transparent internal communications
- Easy access to top management for employees at all levels
- Strong employee relations practice

That sums up the McDonald's Saudi Arabia localization culture and program. RICC gives the opportunity for all, whatever position they are in; it also excels in providing very strong on-the-job training and coaching classes that are aimed at developing various competencies which will help improve both work and life-skills.

Imagine 17 or 18-year-old Saudi boys who have just finished school. Typically,

they have very little exposure to English and often lack the confidence and social skills required for service industry jobs. Often, they are sceptical about working for the private sector because of entrenched negative perceptions.

It is very important that McDonald's Saudi Arabia has a welcoming culture. We focus on providing proper orientation and training. We have a well-structured orientation program, and we are improving it even further. It is important that the first impression of the company for all new recruits both Saudi and expatriate is positive.

STRONG ORIENTATION & TRAINING

McDonald's Saudi Arabia has developed and implemented a four-stage orientation program that includes a pre-recruitment general introduction, followed by higher levels of interactions and in-store

FIGURE 01







LEFT MCDONALD'S SAUDI ARABIA WORK CULTURE CALLS FOR ALL LEADERS AND STAFF TO PERFORM STORE DUTIES PERIODICALLY; PICTURE SHOWS RICC PRESIDENT MISHAAL BIN KHALID AL SAUD ON STORE DUTY WITH SAUDI CREW

orientation. The recruitment process, which used to take three weeks, now takes just three days as the company has groomed and trained more Saudi interviewers. All initial interviewers are Saudi nationals. Since typically, it is the first job for most applicants, they are more comfortable when they speak to a fellow Saudi who can share his experiences at McDonald's.

The orientation ensures that all candidates gain a thorough understanding about the company, the pay and career path. They are also briefed about their benefits, responsibilities, obligations, and the management's expectations of the staff. McDonald's Saudi Arabia also showcases its Saudi success stories and facilitates active interaction between the candidates and staff who have worked their way up the company. Consequently, young Saudi candidates

are reassured that they will not face language and culture issues, and that a McDonald's career offers immense potential for learning and growth.

McDonald's Saudi Arabia has a strong training program because we believe in developing people and helping them to take their first independent steps as adults. We are strengthening and expanding our training program to involve external partners so that our people have strong talent development options. We also have a strong track record of supporting employees who leave us after gaining the McDonald's experience.

ARABIZATION OF TRAINING

McDonald's Saudi Arabia has been a trend-setter in one key aspect of the franchise's international training practice. In a landmark decision about eight years ago, McDonald's Saudi Arabia decided

FIGURE 02

TURNOVER DECREASED





MCDONALD'S SAUDI ARABIA ENSURES THAT NEW JOB APPLICANTS ARE INTERVIEWED BY SAUDI AND OTHER ARABIC-SPEAKING STAFF, PROVIDING THE MUCH-NEEDED CULTURAL COMFORT

to Arabize all of the company's training material, making them easily accessible to future Saudi employees. The move had an immediate impact because until then, new recruits and even some of those already working at the chain, had difficulties with learning and training because every single document was in English. Many did not have the confidence to make them believe they would continue at McDonald's without sufficient English language skills.

As a matter of policy McDonald's Saudi Arabia also made a conscious effort to develop Arabic-speaking trainers and training program managers, the first in the Quick Service Restaurant (QSR) sector to build a fully Arabic training program for local staff. This is now widely acknowledged as best practice. The Saudi initiative even influenced the Hamburger University – McDonald's global center of excellence for management training and leadership development – which has recognized the effectiveness of using the local language for training. The university now offers study material in different languages such as Turkish and Tagalog while earlier everything was available only in English. This is the

highest recognition for our efforts.

McDonald's Saudi Arabia holds a minimum of 25 training classes at its training center each year, with 25 participants in every class. This is in addition to the ongoing hands-on training at the restaurants every day. Each restaurant has two senior staff who double as training managers, grooming new staff. The manager at every restaurant forms a team consisting of a fellow manager and all the crew. They develop the training plan for the new hires, which is executed under the supervision of the headquarters in Riyadh.

Completion of the in-house training enables staff to secure a McDonald's diploma. The training is now recognized by several universities which count a McDonald's diploma towards student credits in select modules.

What's more, learning is encouraged with awards and cash incentives.

CULTURAL ADJUSTMENTS

McDonald's Saudi Arabia has walked the extra mile to ensure that its training sessions are well-attended and successful in terms of delivering the skills needed

for its recruits. For example, when it realized that the morning time was not suitable for training sessions as a number of employees are school or university students, class timings were changed to 4 pm. Training sessions were also shifted from company premises to hotels to entice those who were not very keen on learning and development. McDonald's now delivers the training courses at diverse locations across the country, reducing the need for staff to stay away from home to complete courses.

The training program has evolved in line with new technology and development of new content. E-learning is integral to McDonald's global training strategy. The training managers at McDonald's also benefit from an international training consultant course conducted in countries such as Australia, the United States and the United Arab Emirates.

Another program that has helped McDonald's localization program is the company's approach to employee relations and the open door policy followed by the top management. These are not limited to Saudi employees as the employee relations team includes people from different nationalities who are trained to address specific topics, issues and concerns, if and when they arise. Formal and informal channels of communication are supported by online forums such as the company's Facebook page.

FAIR PRACTICE

So did these localization efforts pay off or were they seen as preferential treatment for Saudi staff that triggered resentment among expatriate staff?

Quite simply, these early localization initiatives were hugely successful (See Figure 3), and what's more, had the

backing of all our staff. Our expatriate staff understood the strategy and realized that the success of localization was not a threat but essential for McDonald's Saudi Arabia to succeed, so fears about possible alienation proved groundless. They also could benefit directly from our approach to training and cultural sensitivity. For example, we also encourage expatriate staff to learn Arabic which further helps interaction with both Saudi staff and customers.

All job descriptions are international and they are the same for Saudis and non-Saudis, and very often the same in Saudi Arabia as in other parts of the world. We have simply introduced more flexibility taking into consideration the cultural, social and family needs in Saudi Arabia.

THE 4500 CAMPAIGN UNDERLINED THE SERIOUS APPROACH OF MCDONALD'S SAUDI ARABIA TO LOCALIZATION OF WORKFORCE, BOOSTING THE NUMBER OF JOB APPLICATIONS AND RESULTING IN WIDE CUSTOMER APPRECIATION OF THE INITIATIVE



TACKLING SAUDI REALITIES



McDonald's SR4500 package, based on ground realities and youth expectations, has become a game-changing benchmark

In the two decades since its launch in Saudi Arabia, McDonald's has built a reputation for adapting to the community it serves – ranging from the family-only booths at outlets to adapting global HR and training policies and programs to local needs.

Similarly with our approach to localization, but despite our market leadership, we were facing issues (See Figure 3). Once again the issues we were facing were a drop off in the number of Saudi applicants, and a rise in our turnover rate. In part we were the victims

of our success of the preceding years. In addition, government initiatives such as Nitaqat and Hafiz were also affecting our numbers. As Nitaqat started, more companies took localization more seriously and we felt the drop in the number of applicants and also an increase in the rate of attrition. When Saudi managers at other QSR chains wanted Saudis, they hired directly from McDonald's Saudi Arabia.

As a consequence McDonald's Saudi Arabia commissioned an exhaustive survey to pin down the most important factors that would help drive localization to a whole new level. This research was designed to determine what is really important for Saudi youth across the country, and then for McDonald's Saudi Arabia to consider how best it can meet those expectations. Based on interviews with Saudis between 18 and 21 years of age in eight regions of the country, the survey concluded that the most important

FIGURE 03



employment factors were salary, working hours and work environment. The cities covered were: Riyadh, Buraidah, Dammam, Khobar, Jubail, Hai'l, Onaiza and Hofouf.

We wanted to find out what the Saudi youth were really looking for because the many initiatives we had tried over the years to attract unemployed young nationals met with only limited success. We asked questions about their employment status, salary expectations, factors that motivated them to take up jobs and their job selection criteria, factors that provided satisfaction or dissatisfaction, target sectors for finding work and the job search resources they used. Of course, we also asked them about their willingness to work for McDonald's Saudi Arabia and what starting salaries they expected.

We were talking to a generation of young people who grew up with

McDonald's in Saudi Arabia. The survey was an eye-opener and offered several interesting insights.

KEY FINDINGS

Saudi youth were keen to find employment to support their personal and family needs. Many of the respondents who took part in the survey wanted a salary of SR4000 from McDonald's Saudi Arabia although the average expected salary was a little over SR3700. The survey revealed several soft factors that were important to Saudi youth: flexible work schedules, a five-day working week, and flexibility in choosing their work location. Some of these issues are rooted in culture, others in social compulsions. For example, many young men cited their family commitments as a reason for wanting a five-day working week.

McDonald's Saudi Arabia formulated its new localization strategy in 2012 heavily drawing on the findings of the survey. The Company would increase salary to SR4000 with an additional incentive of SR500 for perfect attendance, and offer a five-day week and flexibility in choosing work location as well as working hours. Thus the new strategy was firmly grounded in Saudi social realities. As soon as the strategy was finalized McDonald's Saudi Arabia launched its now famous SR4500 recruitment campaign.

The campaign was an instant hit. Even months after the conclusion of the campaign, McDonald's Saudi Arabia continues to receive new applications from young Saudis who want to work for the company. Earlier, we had a tough time finding prospective candidates despite our best efforts. Now, we have a strong database of job hunters and more candidates are continuing to approach us.

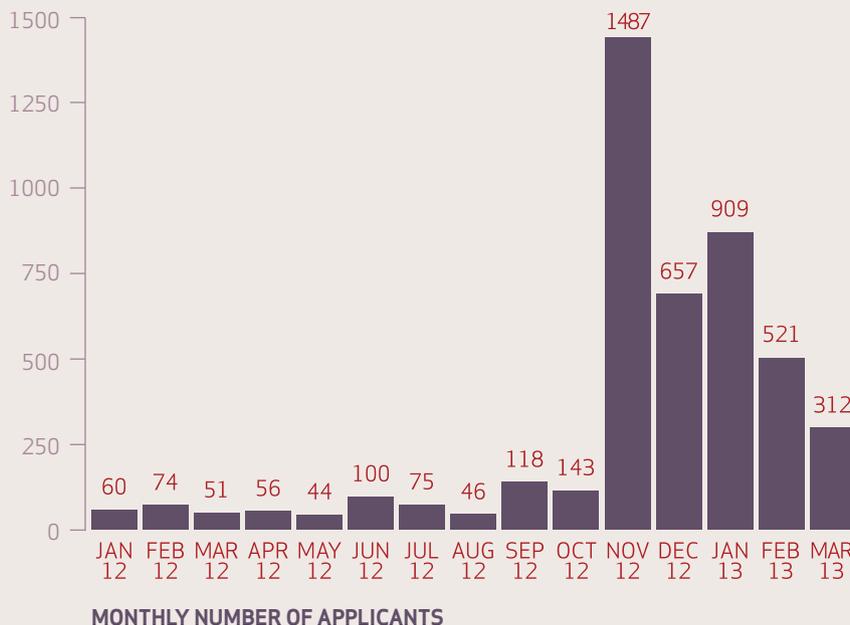
When McDonald's launched the SR4500 campaign to recruit Saudi nationals offering a minimum salary of SR4000 and an additional incentive of SR500 for perfect attendance, it created ripples across Saudi Arabia. The impact of the campaign not only shook up the QSR sector, but also resonated across other industries. The campaign was launched in November 2012, and within that month, the number of applicants at McDonald's RICC shot up dramatically – from 143 in October to 1487 in November (See Figure 4). The campaign also resulted in much more: a steady stream of job applications every month and a strong and large database of candidates who are keen to work at McDonald's.

And when we introduced the new starting package for new Saudi recruits, the salaries of existing staff were also revised upwards, which boosted morale throughout the organization.

It also reinforced the management's reputation for fair play and McDonald's 'Glocal' credentials.

FIGURE 04

DRAMATIC IMPACT



GOOD FOR BUSINESS

Successful localization brings several benefits to a consumer business, including increased footfall and brand awareness

When McDonald's Saudi Arabia decided to open a branch in Al-Rass town in Al-Qassim Province recently, 15 young Saudi men were hired and trained from the town to run the store. On the inaugural day, the branch wore a festive look and the presence of the newly recruited local youth added to the celebratory mood. This was their first job, and their friends and relatives visited to encourage and wish them well. Many of these visitors have turned into regular customers. Their connections with the new recruits and McDonald's reputation as a good employer keep them coming back.

The Al-Rass story is a great example of how localization helps a consumer businesses expand its customer base. When McDonald's Saudi Arabia started operations in 1993, local unemployment and localization were not such major issues. As a business, we had our doubts about the return on investments on localization, which is significant in terms of money, time, education and training. Today, though, it is clear that this investment has paid off, and that localization represents a strong value for McDonald's Saudi Arabia that of giving back to the community.

In reality, localization amounts to much more than providing employment for Saudi nationals. It is one of the best ways of giving back to the community because we are now playing an excellent role in contributing to the development of the Kingdom's labor pool. Our



THE MCDONALD'S EXPERIENCE SHOWS THAT SAUDIZATION HAS BEEN GOOD FOR BUSINESS, HELPING THE COMPANY'S REPUTATION AS A RESPONSIBLE CORPORATE CITIZEN AND SUPPORTER OF THE LOCAL COMMUNITY

efforts and success in grooming a new generation of skilled Saudi workers is recognized today by the Government and authorities such as the HRDF.

McDonald's Saudi Arabia is credited with breaking the stereotypes and inhibitions about QSR jobs. It is also recognized for breaking the notion among private sector companies that young Saudi nationals do not show up for work and are not committed to their careers. While the average Localization rate in the QSR sector is 16 per cent, at McDonald's it is almost 30 per cent. And furthermore, thousands of new jobs will be created over the next two years as the chain continues to expand.

For businesses, there is the additional advantage of local people becoming their brand ambassadors. Our staff are our greatest ambassadors. Within the community, people are now talking about what has been happening here at McDonald's Saudi Arabia. Aside from

the 4500 campaign, this word-of-mouth reputation building continues to be a major factor in driving applicants to McDonald's. Our Saudi employees are really proud about their careers and their role in turning around the perception of McDonald's as a 'foreign' company' is significant. Even when our Saudi staff leave for other jobs and careers, they remain our brand ambassadors.

It is also important to emphasize the dynamism of our approach to localization. We are constantly reviewing our localization strategy and initiatives to reflect the changing factors in our industry, in society and among our employees. Before other companies were talking seriously about localization, McDonald's Saudi Arabia had set a benchmark. And when the rest of the industry had caught on to the issue, we raised the bar. It's what we will continue doing it's the McDonald's Saudi Arabia way of doing things.

SENSE OF ACHIEVEMENT

McDonald's has groomed hundreds of young Saudi nationals, offering them high quality training and a clear career path

Omar Mohamed Al-Shook recalls the day in 2006 when he was visiting Riyadh with his father during his summer vacation. Omar lived with his family in Abha, and was just 18 years old. He had studied only up to grade Eight. His father used to work in the government as a mechanical engineer.

When they stopped at a McDonald's, they noticed that the staff included Saudi nationals. "My father immediately asked the Saudi staff about how they came to work for McDonald's, their experiences and the job application procedure," says Al-Shook.

"I was not happy with my father's approach. When we left the place, he suggested that I apply for a job there as I had nothing to do during the vacation. He said it would be good for me, but I did not like the idea. I did not want to apply for a job at McDonald's."

Omar's father then took the initiative. He prepared his son's application papers and submitted them on the second day. "I was recruited immediately. Although not very happy about it, I took the plunge and went through the orientation and training programs. I began at the bottom of the scale as a crew member in one of the stores," he says.

That was in April 2006. Today, Omar is a human resources coordinator. "We received extensive training— not only the initial job training, but continued training and classes every year. This is what helped me grow in the job," says a happy Omar – who is now very grateful that his father took the initiative back in 2006.

Omar does admit, however, that it was not roses all the way. There were practical difficulties such as transportation because he lived far away from the branch he was assigned to.

There were also greater challenges to overcome, such as peer pressure and the negative perceptions about working at McDonald's. "My friends and even my grandparents and uncles used to tell me that I would not have any respect in the community. They said it would be very difficult for me to find a bride as no Saudi parents will give their daughter away to someone who worked at McDonald's."

"At social gatherings, people sitting at a Majlis would shake hands with me without standing up as is the custom, whereas when a government employee walked in, everybody would stand up and greet them. I often felt that people looked down on me. But all of that has changed, and today they all see me as a success story and I enjoy the same respect as others."

During social gatherings now, not only do compatriots stand up and shake hands,

but ask Omar to help recruit their sons and relatives at McDonald's Saudi Arabia. "Working at McDonald's has given me a lot. Confidence and English language aside, I am also continuing my education now at King Faisal University's School of Business Administration with the blessings of my employers," he says proudly.

Omar is a big fan of the clear career path that McDonald's offers. "If you work hard and show commitment, there is tremendous possibility for rapid advancement. If you put in the right effort, you can meet your realistic expectations. I want to stay and grow at McDonald's. I believe in what Prince Mishaal and Prince Waleed are doing and I will stay and support their initiatives," he says.

Omar is just one example of a McDonald's Saudi success story. There are thousands of Saudis who continue to learn and develop at McDonald's and there are also many who began their career with McDonald's and have moved on to other opportunities – thanks to the confidence and skills they learned at McDonald's.

OMAR, NOW AN HR COORDINATOR AT MCDONALD'S SAUDI ARABIA



RIDING HIGH

McDonald's is the leading Quick Service Restaurant (QSR) chain in the Kingdom. The Development Licensee is managed in Saudi Arabia by Riyadh International Catering Corporation (RICC) in the Central, Eastern and Northern regions and by Alireza Food Services (RFS) in the Western and Southern regions of Saudi Arabia. The first McDonald's restaurant in Saudi Arabia opened in 1993.

Today, McDonald's Saudi Arabia is well established as a locally owned company that is contributing to the country's economy and that boasts a well-balanced Saudi and expat work force.

McDonald's Saudi Arabia is now on a major expansion (See Figure 5)

program driven by recent yearly high annual growth rates and the considerable potential for growth in what is a rapidly developing country. RICC's new investments will see the number of McDonald's restaurants in Saudi Arabia increasing from 75 in 2012 to 150 by the end of 2015. The company has fully adopted its global standards and best practices in Saudi Arabia, and has adapted them to local conditions – the perfect example of a 'Glocal' organization. As a customer-driven brand, McDonald's pays the utmost attention to local needs and taste buds although most of its core products enjoy universal appeal.

FIGURE 05

GROWTH 1993-2015

THE NUMBER OF RICC MCDONALD'S RESTAURANTS IN THE CENTRAL, EASTERN AND NORTHERN REGIONS OF KSA, HAS INCREASED STEADILY AND IS PROJECTED TO GROW FURTHER IN THE COMING YEARS

