Developing an Improvement Culture within Nonprofit Organizations: A Grounded Theory Case of Saudi Arabia
Sulaiman Abdullah Saleh Almainan and Patrick McLaughlin

Abstract
It has been confirmed that organizational culture (OC) has a significant impact on facilitating continuous improvement (CI), although it is not clear yet how this impact can be achieved. On the other hand, nonprofit organizations (NPOs) struggle mainly in sustaining resources and increasing the quality of the services they provide. Nonetheless, NPOs contribute remarkably to economies and civilisation. They deserve research attention, and studies done on CI suggest it to be holistically beneficial. Therefore, this paper has selected Saudi NPOs for their social setting to explore the influence of facilitating CI. The approach of grounded theory has been employed, using qualitative data, to construct a reality based on participant perspectives. The thirty-one interviews that were conducted at thirteen organizations revealed many lower level cultural aspects. These aspects were evolved, during five focus groups, into six higher-level themes. The findings can be used by leaders to create desired change.

Keywords: Organizational Culture, Continuous Improvement, Nonprofit Organizations, Saudi Arabia

1. Introduction
Although overwhelming challenges face nonprofit organization (NPOs), they increasingly play a significant role in economies and well-being [1]. On the other hand, continuous improvement (CI) is considered to be an important driver towards operational excellence [2]. The literature has confirmed that CI is only successful when there is an appropriate organizational culture [3], but the question of 'how' has still not received sufficient research. Furthermore, the main body of research in this field has been carried out in developing countries and other sectors, which suggests Saudi NPOs as a novel research context for this study. Saudi Arabia is a member of the G20, and its GDP exceeded 0.7 trillion USD in 2014 [4]. Saudi Arabia is a significant competitor in several areas; for instance, in 2017 it was one of the ten countries in control of the world’s energy supplies [5]. It has been moving seriously, recently, toward change. In the period 2015-2016, it jumped five ranks in the transparency index, which is calculated for 180 countries, to occupy 11th place among the G20 [6]. It also has a fast-growing economy, and its NPO sector increased by 20% between 2015 and 2016 [7]. An ambitious part of its vision is to raise the nonprofit sector’s contribution to the GDP by 2030 from its current less than 1% to 5% [8]. Therefore, it is crucial to increase and sustain the NPO’s capabilities to achieve this ambitions vision. Serious efforts should include leading cultural change within NPOs to facilitate drivers of operational excellence. One of these drivers is CI, which has been proving its impact in other sectors, particularly manufacturing.

The nonprofit sector is a major component in countries’ economies. Studies show that the impact of NPOs has increased significantly around the world. Salamon et al. [9] provide indicators of NPOs’ impact worldwide. They report indicators that compare the nonprofit sector with other sectors by the size of the labour force and share of GDP. Thirteen countries participated in their study, as shown in Table 1 below, which shows that NPOs are key players in economies. In share of work force, NPOs are in sixth place (7.4%), right after the construction sector and, remarkably, above the transportation sector. Fifteen countries were then used to compare their GDP breakdowns by sector. The table below shows the average shares in the economies for the sectors, and the NPO sector comes in in fifth place, with a contribution to GDP of 4.5% [9].

<table>
<thead>
<tr>
<th>Table 1: The rank of NPOs’ workforce</th>
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<tbody>
<tr>
<td>Share of labour force%</td>
</tr>
<tr>
<td>1. Manufacturing</td>
</tr>
<tr>
<td>2. Trade</td>
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<tr>
<td>3. Agriculture</td>
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<tr>
<td>4. Real estate</td>
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<tr>
<td>5. Construction</td>
</tr>
<tr>
<td>6. NPOs</td>
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<tr>
<td>7. Transportation</td>
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<td>8. Finance</td>
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</table>

2. Research Problem
Influenced by the current dynamic and complex operating environment, NPOs are increasingly concerned about their organizational sustainability [10]. NPOs suffer from uncertainty in government funding and the decline of private donations due to economic difficulties, in addition to growing competition within and outside the sector, rendering the survival of NPOs a more
difficult task [11]. The literature reports that organizations can become more competitive by establishing the right culture [12]. If the wrong culture exists, no matter what the efforts to promote continuous improvement, few changes are likely to be accomplished [13]. Conversely, not focusing on organizational culture affects the longevity of improvements and, hence, competitiveness [14]. Continuous improvement has the advantage for smaller organizations of not requiring much outlay or expertise [15], thus it may help NPOs as well. Meanwhile, Saudi Arabia has not received much attention in the literature in this regard, despite its unique situation [1], [16]–[18]. Therefore, this research investigates which aspects of organizational culture would facilitate continuous improvement within this context.

**Research Settings**

To "define the [present] research context" as qualitative research requires [19], the nonprofit sector in Saudi Arabia is explored in the present study.

**Overview on Saudi Culture**

Saudi culture, which nourishes the NPOs studied in this research, has Islam as its recognised religion, a religion that, today, has an estimated 1.8 billion adherents (as of 2015), approximately 24% of the world’s population. The number of adherents is expected to reach 2.2 billion by 2030 [20]. Islam is assumed to shape the mentality and behaviour of the Saudi people and their Arab traditions [21], pervading Saudi life [22]. Saudi Arabia, the birthplace of Islam, is one of the world’s most religious countries [23]. Islam promotes a set of moral values and social behaviours based on the text of the Qur’an and sayings of the prophet Mohammad, peace be upon him [24]. However, it should be noted that not everything in an Islamic country necessarily represents Islamic values.

**Saudi Nonprofit Sector**

The ministry in Saudi Arabia which regulates the affairs of NPOs is the Ministry of Labour and Social Development (MLSD). The ministry categorises NPOs into two types: charities and foundations. Of the 900 organizations registered as NPOs in April 2016, 736 were charities and 164 were foundations, as seen in Table 2 [7]. According to government regulations [25], the few legal differences between these two categories include the following:

- Private foundations can be established individually or by groups, whereas charities may be established only by groups of at least 20 volunteers.
- Foundations should generally support projects which are operated by charities;

hence, they cannot benefit from government funding.

- The detailed existing regulations issued by the MLSD are meant to guide charities alone.

<table>
<thead>
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<th>Table 2: NPOs in Saudi Arabia</th>
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<tr>
<td>Saudi NPOs</td>
</tr>
<tr>
<td>Charities</td>
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<tr>
<td>──────────────</td>
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<tr>
<td>736</td>
</tr>
<tr>
<td>(81.77%)</td>
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<tr>
<td>Total</td>
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</table>

Although the MLSD is responsible for the most common and officially registered NPOs, there are, however, other Saudi Arabian nonprofit agencies. Alternative nonprofit teams, not considered organizations, may be recruited for projects by wealthy people, and the ‘Royal Foundation’ may be patronised by a member of the Saudi Royal Family and supervised by the Royal Court.

3. **Conceptual Model**

   Based on the current thinking in the research domain, two suitable models were found to be appropriate for the research context. These theories were used to develop a conceptual model, which was then used to construct the theory used, as shown in the Figure 1 below:

   ![Figure 1: Conceptual model to develop the theory](image)

These two models are discussed in the following section.

**Schein Model**

Schein’s model of organizational culture [26] represents organizational culture on three levels: artefacts, espoused values, and basic underlying assumptions. Artefacts include visible organizational structures and processes; they are readily observed and have multiple cultural meanings. Espoused values include strategies, goals, and philosophies; they are observable patterns of meaning. Basic underlying assumptions are taken-for-granted beliefs, perceptions, thoughts, and feelings; they are not directly observable, but are apparent from observing the culture [27].

This model was chosen mainly for the strong coherence between its three levels, which makes
it dynamic, and its capacity to embody and represent cultural aspects. This allows change at any level to affect the other levels and every single factor emerging from data analysis to correspond to one level or more of the three.

**Bessant and Caffyn Model**

According to Bessant and Caffyn [28], continuous improvement maturity has five stages in the learning process. These stages are relatively linear and incremental. What makes his model useful in this research context is that these stages involve the accumulation of the typical characteristics that relate to aspects of organizational culture.

4. Methodology

Given that there is a paucity of literature on the application of CI within NPOs and the highlighted need in the literature to activate this concept in certain circumstances, an exploratory and qualitative method has been adopted as a research strategy. This was considered appropriate because the study involves an inquiry process to understand the potential of a social phenomenon [29], which investigates a social interaction. This suggests that social constructivism is a valid starting point. Social interactions also involve individuals’ behaviours, and their actions need to be interpreted logically. This suggests that interpretivism is also an appropriate option [30]. The grounded theory approach was found to be appropriate for exploring the aspects of organizational culture that affect CI. This would suggest that an inductive approach should be used since it can evolve as the research proceeds. Further, Sackmann [31] recommends the inductive approach because of the sparsity of empirically-based knowledge of culture in its ‘organizational context.’ The theory, then, may be discovered from the data, as Glaser and Strauss [32] developed theirs, calling it ‘grounded theory’. It is also described as a set of methods that “consist of systematic, yet flexible guidelines for collecting and analysing qualitative data to construct theories ‘grounded’ in the data themselves” [33].

5. Data Gathering and Analysis

Table 3 below summarise the characteristics of the 13 organizations and the 31 participants involved in this research.

<table>
<thead>
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<th>Table 3: Organization and participant characteristics</th>
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<tr>
<td><strong>Organization Age</strong></td>
</tr>
<tr>
<td>10 Years</td>
</tr>
<tr>
<td>50%</td>
</tr>
<tr>
<td><strong>Organization Size</strong></td>
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<tr>
<td>&gt;50 Employees</td>
</tr>
<tr>
<td>37%</td>
</tr>
<tr>
<td><strong>Interviewee Age</strong></td>
</tr>
<tr>
<td>&gt;40 Years</td>
</tr>
<tr>
<td>50%</td>
</tr>
<tr>
<td><strong>Interviewee Experience</strong></td>
</tr>
<tr>
<td>&gt;10 Years</td>
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<tr>
<td>44%</td>
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<tr>
<td><strong>Interviewee Education</strong></td>
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<tr>
<td>Higher Education</td>
</tr>
<tr>
<td>56%</td>
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<tr>
<td><strong>Interviewee Managerial Level</strong></td>
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<tr>
<td>Top</td>
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<tr>
<td>50%</td>
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</tbody>
</table>

As shown in Table 3, there is a clear diversity among the organizations and interviewees. Participants were recruited using purposive sampling with differing experiences of the phenomenon so as to explore multiple dimensions of the social processes under study, which tries to understand why CI succeed in some organizations and fail in others [35]. Two phases, described briefly below, were used to gather and analyse the data:

**Phase one: Discovering lower-level codes**

Thirty-one extensive semi-structured interviews were conducted in this phase, which used an issue-focused investigation to identify which aspects of organizational culture could influence CI. These interviews gradually conducted, and theoretical sampling was guided by the results of analysing the data.

**Phase Two: Developing Higher-Level Themes**

The lower-level cultural factors that emerged from analysing the interviews were then developed with the with six members of participants during five sessions of focus group discussions. It should be noted that the data were analysed with constant, constant/simultaneous comparisons with the literature.

6. Findings and discussion

The analysis revealed six higher level-themes, as follows.

**Driven by Values**

It has been found that being driven by values is a key aspect for successful CI stories. Although Saudi NPOs share some similar themes that could be exist in another context, there were some interesting aspects in which behaviour is shaped by Islam [21]. Fagan [36] reported that religious beliefs are associated with a higher level of social
support for those in need, which was a key motivation for participants to work in this sector. Being value-driven was found to be enhanced by religious teachings, and attention is paid to achieving results to obtain God’s rewards for good deeds.

According to the data analysis and constant comparison with the literature, the characteristics that are associated with this theme include: the courage and resolve to change for the better, graciously accepting criticism, and sharing successes with others [37], [38], [39], [40], [41], [42].

**Creative Environment**

Nurturing a creative environment might not be possible for all Saudi NPOs since these charities focus more on spending their resources mainly on their clients. This does not allow generosity towards employee work stations or reward systems. Struggling to sustain resources was a constant concern of the participants, one that put them under pressure, which could limit space for creativity. Foundations, on the other hand, were more likely to have a creative environment since they are financially more stable and supported by their founder, most likely an individual who gained their wealth after a long journey and much experience which they then invested in setting up and operating their foundations in a more mature and more professional manner than charities are operated under.

According to the data analysis and constant comparison with the literature, the characteristics that are associated with this theme include: spontaneous communications, everyone participates in decisions on optimisation to raise the standards of the organization, feedback is viewed as an opportunity, and experiences with optimisation are documented to profit from them [43], [44], [45], [46], [47], [48], [49].

**Encouraged Employees**

This could be the most interesting theme, one that is possibly unique for this sector. NPO employees in Saudi Arabia have shown high motivation to be working in this philanthropy sector [21], [36]. Their motivations were interpreted through their humanitarian and religious values, which encourage them to consider more than their job benefits. However, some Saudi NPOs pay their employees generously and offer attractive features (especially foundations), which adds extra potential for CI to flourish.

According to the data analysis and constant comparison with the literature, the characteristics that are associated with this theme include: employees enjoy good relations and share values that enhance performance, the organization provides constant support and training, employees are given sufficient authority, and the organization endeavours to provide its employees with job security [50], [51], [52], [53], [54], [55], [56], [57], [58], [59].

**External Interactions**

The nature of philanthropic activities involves many parties during charity projects. These parties include four main players. First, the government, which establishes and controls legislation and funds. Second, sponsors who fund the projects (the government, again, plus individuals or foundations). Third, the charities that usually run the projects. Finally, the clients, who must be satisfied with the services provided to them. Therefore, having strong and trusted connections with these external parties would have a huge impact on strengthening CI.

According to the data analysis and constant comparison with the literature, the characteristics that are associated with this theme include: organizations strive for customer satisfaction, willing to develop partners, benefiting from the opinions of outside experts, dealing comfortably with competitors, and participating effectively in government legislation [60], [61], [62], [63], [64], [65].

**Operational Commitment**

Organizations that have a commitment towards operations management have the fundamental requirement for cultivating CI. This commitment is proven using a variety of tools and techniques in operations management. This is a place where some NPOs fail. Sometimes they think that these tools should be applied only in manufacturing industries, although they have been successful for years in the services and health sectors.

According to the data analysis and constant comparison with the literature, the characteristics that are associated with this theme include: the organization utilises defined tools for improvement, it benefits from feedback, its organizational structure is based on market needs, there are clear working procedures, and the organization’s activities are based on planning and defined schedules [66], [67], [68], [69], [70], [71], [71], [72], [73], [74], [75], [76].

**Evaluation for Improvement**

As CI is a non-stop journey toward excellence, there must be evaluation to assess the progress of this journey. This what could convince some non-continuously-improving NPO leaders to adopt approaches to achieve this theme.

According to the data analysis and constant comparison with the literature, the characteristics that are associated with this theme include: the organization adheres to performance standards, it implements improvements progressively, procedures are updated regularly, and to enhance this, channels of communications between
employees are smooth and direct, and the organization allows employees flexibility in working hours [77], [78], [79], [80].

7. Conclusion
The emergent themes were found to be strongly connected with each other and remarkably associated with Saudi national culture, which is a dominant component of Saudi society. The foundations have been shown to be more capable of adopting CI than the charities, i.e., foundation seem to be more professionally organized and struggling less with their financial stability, which allows them to concentrate more fully on operational excellence. However, some charities have shown a high commitment to CI and achieved a significant improvement, which make the themes that have emerged in the research available to both types of NPOs.

8. Research Contribution
The originality of this work results from the fact that, while Saudi Arabia is attracting intense interest from the international research community, little research has been done on CI practices there, in part because Saudi NPOs are hesitant to grant access to foreigner researchers. This study offers one of the first "inside views" of Saudi NPOs that contains reliable empirical data focusing particularly on cultivating a continuous CI culture.

9. Limitations
With regard to the issue of statistical generalizability [81], the findings of this research would not be suitable for generalisation since the sample was not statistically representative. This is not a requirement when the objective is to understand social process [82]. Further, quantitative research can address this issue.

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