



Human Resources Trends in the Gulf - 2008

DBM Arabian Gulf commissioned its second survey on Human Resource Trends in the Gulf to track the evolution between its first survey of 2006, and 2008 of current and future challenges faced by the HR community. In particular, it sought to understand current practices and main contributors to change, talent development and retention, morale and motivation, and HR positioning and priorities. We sought both to quantify trends and to seek insights from prominent international and local organizations in the Gulf region. Besides a description of the current situation, we also sought to uncover emerging best practices by identifying patterns among respondents. The aim was also to share the findings with respondents for discussion, and provide our partners with emerging best practices and benchmarking measures.

DBM Arabian Gulf wishes to thank all those who contributed their views and thus enriched the picture we are able to present.

Emerging trends

The DBM survey concerning the key challenges for HR revealed the following trends and issues:

- In view of high levels of growth, retention is critical.
- Salary and cost of living issues remain critical.
- However, unless the package falls below 'survival' level, high-potential people can also be motivated and retained with career prospects, customized development, recognition, and meaningful work.
- Communication, poor workplace atmosphere, poorly executed change and bad people management are morale killers.
- Succession planning gaining prominence in HR's overall approach.
- The pressure on HR departments to sharpen their talent attraction and management strategies can only increase.

Further, a number of emerging best practices concerning talent management, retention through motivation and HR's front-line role have been discerned. These are discussed in more detail on page 12.

1. Method and participant demographics

This research took place between October 2007 and January 2008. 121 responses were collected online, on the DBM Arabian Gulf website or by mail from individuals responsible for the general or HR management of over 290,000 employees. Telephone interviews were conducted with a small number of the respondents to explore emerging themes. Many of the region's prestigious international and regional organizations took part in the research.

Sector	No. of cos. surveyed	No. of empl. concerned	%age
Public sector and semi-government	8	58,895	20.3%
Construction/engineering	11	47,000	16.2%
Airline/hospitality/tourism	6	46,603	16.1%
Oil and gas	12	35,920	12.4%
Banking, finance, insurance	22	34,770	12.0%
Logistics	9	19,355	6.7%
FMCG	9	15,698	5.4%
Retailing	5	12,650	4.4%
Family companies and private groups	4	6,457	2.2%
IT/Telecom	8	4,970	1.7%
Real estate	6	2,757	0.9%
Media, marketing and sports	4	2,207	0.8%
Industrial goods	5	2,130	0.7%
Automotive	4	1,470	0.5%
Pharmaceuticals/health	6	1,193	0.4%
Education/Training and HR	3	565	0.2 %
Total	121	289,870	100.0%

Table I: Sectors represented in the survey

The respondents represented key sectors of the economy (Table I). The top five economic sectors in terms of employee numbers are: public sector and semi-government, construction/engineering, airline/hospitality/tourism, oil and gas and banking/finance/insurance. These five 'core sectors' reflect the Gulf's current emphasis on governmental leadership and the region's main sectors. Together, the five sectors represent 77% of the total employee numbers included in the survey.

1.1 Company size and headcount growth

In terms of headcount, the smallest organization surveyed had 32 employees (having recently undergone a retrenchment), and the largest organization numbered 39,000 employees. As per Table II, 63% of the organizations surveyed had below 1,000 employees, while the remaining 37%, or 45 organizations, had 1,000 employees or more

	No. organizations	% organizations	No. employees	% of employees
Up to 199 employees	34	28%	3,420	1.2%
200-999	42	35%	15,989	6 %
1,000-4,999	29	24%	62,555	22 %
5,000-9,999	8	7%	53,700	19 %
10,000 and above	8	7%	154,211	53 %
Total (2008)	121		289,870	
Total (2006)	105		102,000	

Table II: Company sizes

The organizations surveyed experienced, on average, very high levels of growth. The average number of employees per company surveyed grew more than 100% in two years, from 971 in 2006 to 2,396 in 2008. 50 of the organizations had taken part in DBM's first survey in 2006.

The average headcount of these organizations also grew nearly 100%, from 1,154 in 2006 to 2,237 in 2008. Further, 57% of the organizations surveyed reported a headcount growth of 30% and above (Figure 1) over the past three years. The sectors reporting the fastest growth are: construction/ engineering, public sector/semi-government, industrial goods, logistics, real estate and retailing.

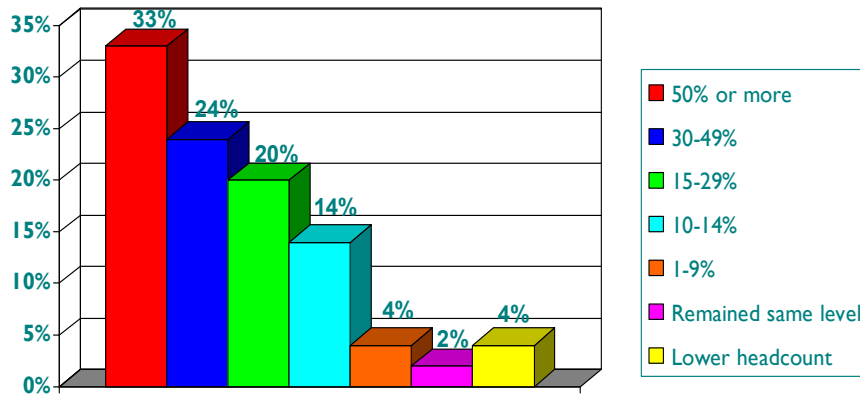


Figure 1: Headcount growth over the past three years.

2. Managing change

2.1 The nature of change

A 2006-2008 comparison on the nature of change (Figure 2) shows the continuing overwhelming influence of growth on organizational change. Growth has been a major cause of change in 78% of organizations. Besides growth however, there have been fewer restructuring, new strategic directions or ownership/leadership changes. Thus, Gulf organizations or offices may have entered an era of strategic stabilization, where most of the effort is focused on adapting to growth.

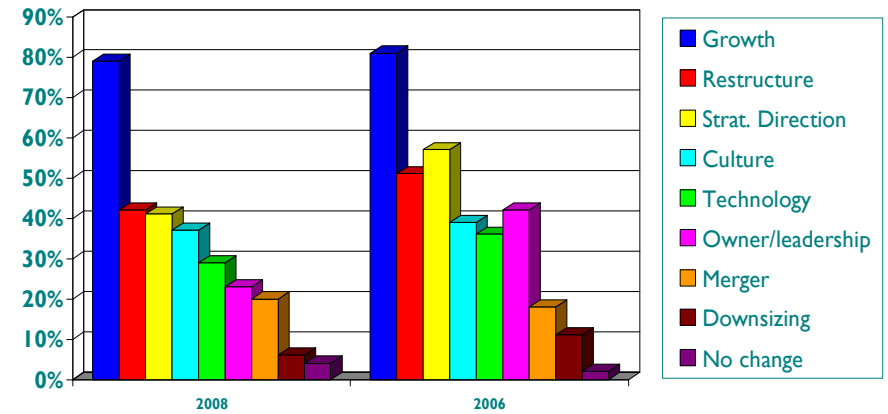


Figure 2: The nature of change - 2006-2008 comparison

A number of patterns can be discerned. Organizations which have restructured have also, mostly, been ‘low-growth’ organizations (with a headcount growth of below 30% over the past three years), which have encountered resistance to change, reductions in headcount and problems with retentions. In these organizations there have been more perceptions of poor management of recent changes. The morale and productivity have also been more negatively affected. Another pattern shows links between culture change and resistance to change and cultural differences. Culture change is also associated with introductions of new technology and changes in ownership or leadership. Finally, the results suggest that there are fewer retention problems when change is accompanied by training and development.

2.2 The main challenges with change

Respondents have faced a number of challenges when managing change. The dominant issue remains in resistance to change (Figure 3), even though change is the norm in most of this region's organizations. Interestingly, 'low-growth' organizations face more resistance to change than the 'high-growth' ones, suggesting that change is seen less positively and may be more 'threatening' in organizations with a lower growth.

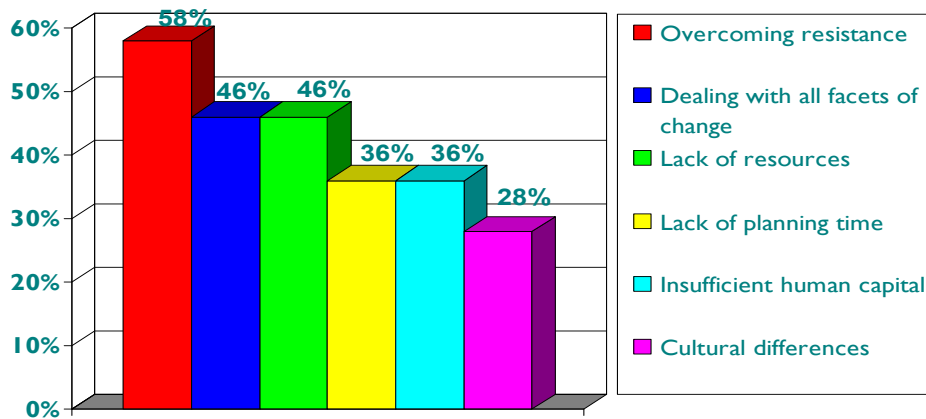
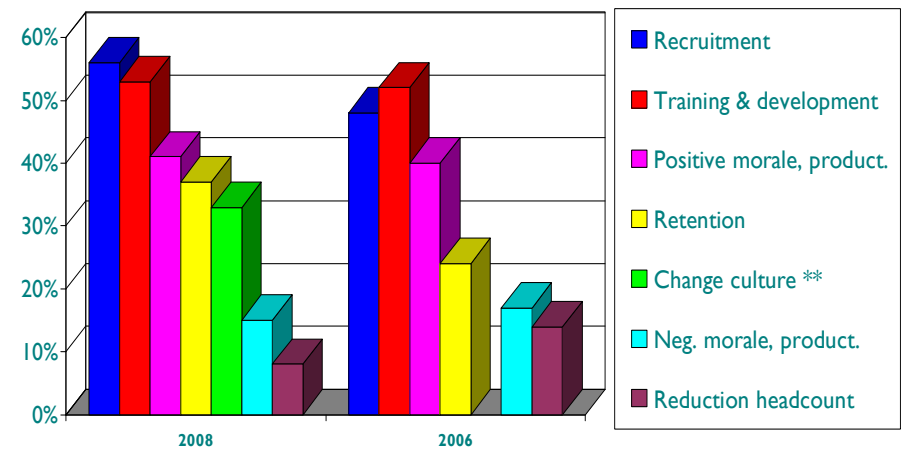


Figure 3: Major challenges of change

The next two most frequent challenges both underline the heavy effort all change initiatives require, both in terms of resources and in terms of the effect change has on all aspects of the organization. While the initial consequences of change can be planned for, one also has to contend with the unintended and unexpected consequences.

2.3 The impact of change

A 2006-2008 comparison of the main impact change has on the human side of organizations (Figure 4) reveals the growing importance of recruitment and retention. More specifically, 48% of organizations in 2006 indicated change had an impact on recruitment, growing to 56% in 2008. While in 2006 only 24% of organizations had experienced retention problems, they are now, in 2008, 37%.



*: category not present in 2006 survey

Figure 4: The impact of change – 2006-2008 comparison

These trends are indicative of the general context of the 'talent war', where talent is seen as essential to spearhead change. On the other hand, people who are in demand may leave more easily if they feel change will be difficult and detrimental to them and their career.

2.4 The human cost of change: Letting people go

In 2008, a total of 41 (34%) participating organizations indicated that they had let people go in the last five years, a drop compared to 2006, where 51 (49%) organizations had let people go (Figure 5). A possible reason is that, in a climate where recruiting new people is increasingly difficult, letting people go may be counter-productive. However, the threats of recession may alter the picture, as cost cutting becomes a stronger imperative. Further, our experience is that the Middle East offices of multi-national companies are beginning to feel the impact of global reductions in headcount. We expect that this part of the HR remit will become more of a concern with more organizations, especially international ones – a trend which has also been observed in the other DBM offices worldwide.

	2008	2006
Number of org. having let people go	41	51
Percentage of respondents	34%	49%

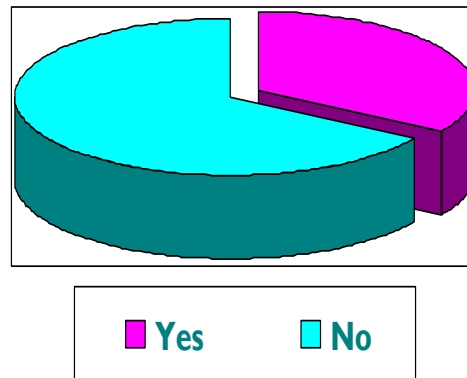


Figure 5: Organizations having experienced redundancies – 2006-2008 comparison

Besides the required redundancy payment stipulated by law, the most popular form of support in instances of redundancy is additional pay (Figure 6). Internal support ranks second. Half of the organizations also offer time off, while a third of them provide the people let go with outplacement (external) support to assist them with their professional transition.

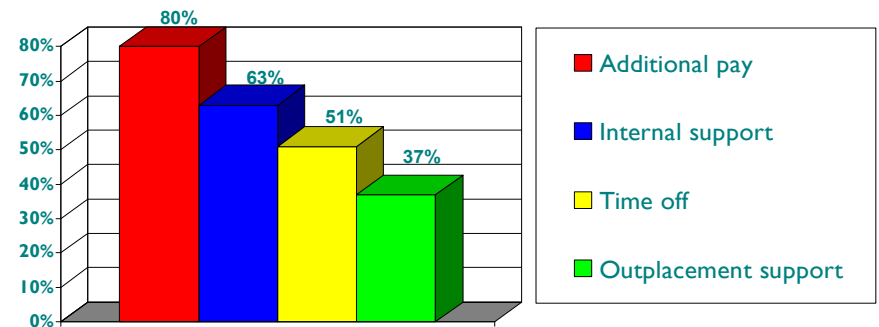
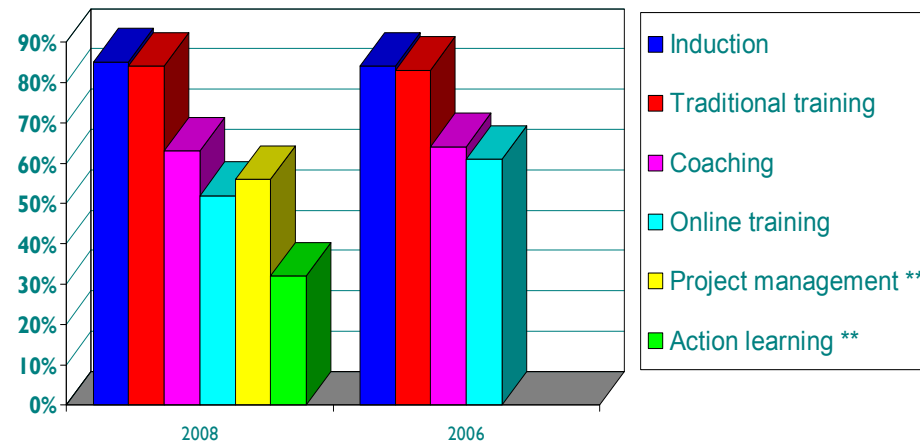


Figure 6: Forms of support to employees who are let go

3. Talent development and retention

3.1 Development methods

A comparison between 2006 and 2008 of the main development methods employed by our respondents (Figure 7) reveals a stable picture; induction and traditional training remaining the two most common forms. Coaching remains the third most used form of training, but online training has decreased slightly. The previous research had underlined the need for the return on investment of online training to become more explicit, and it is possible that some firms reduced their commitment to online training until more obvious results are seen.



** : category not present in 2006 survey

Figure 7: Current development methods – 2006-2008 comparison

3.2 Groups targeted for training

Three out of every four respondents indicated that they had development programs specifically targeted at high-potential employees (Figure 8), reflecting the growing importance organizations place on high-performance individuals in the context of the ‘war for talent’. Interestingly, while ‘all staff’ was not offered as an option in the question, 16% of respondents added ‘all staff’ in the ‘other’ line.

Patterns were identified, between targeting programs at high-potential individuals and the belief that career prospects motivate people to work for you, the belief that internal career opportunities contribute to positive morale, and the identification of succession planning as a key HR priority. Further, a negative relationship was observed between training all staff and the use of performance reviews as a tool to develop high-performance employees. These trends suggest the existence of two ‘philosophies’ in terms of development: one targets specific ‘high value’ people and closely monitors their performance and development, while the other views all staff more uniformly.

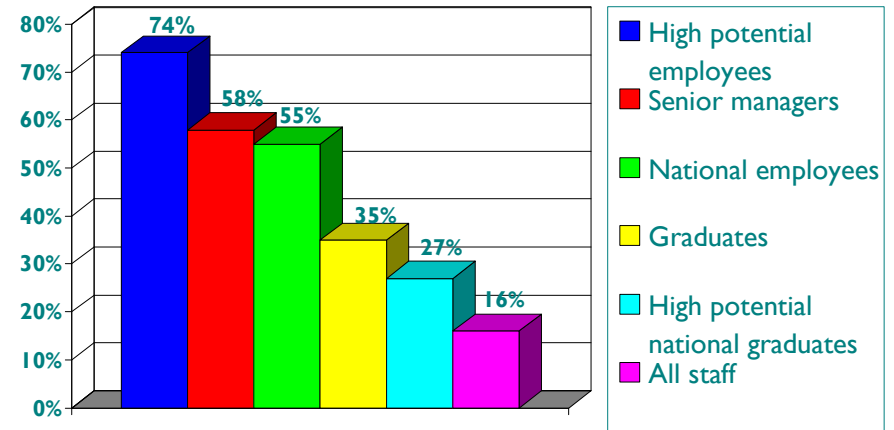


Figure 8: Main groups targeted for development

3.3 Developing high performance employees

Nearly all respondents use performance reviews to identify the development needs of high-performance employees (Figure 9). While development programs are used by 68% of respondents, one notes the importance of more individualized forms of development, with 50% of the respondents using a form of coaching, and 30% having a system of internal mentors in place. These two forms of development have the advantage of being able to target more specific skills and competencies than development programs.

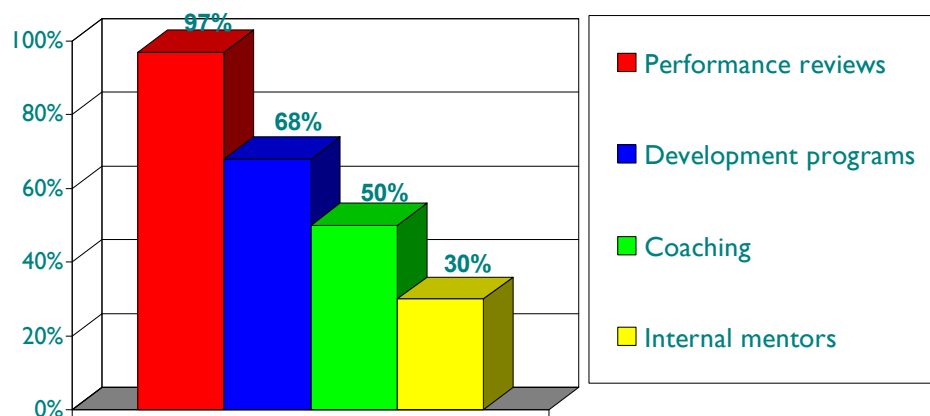


Figure 9: Methods used to develop high performance employees

Furthermore, coaching through an outside provider may be the only acceptable form of development, for example for senior managers, who cannot take part in public training, and who may need total confidentiality. Typically, coaching is used to obtain a faster transfer of experiences, organizational values and culture, to enable newly-promoted people to focus on new skills (though the belief also exists that they have learnt these skills from observing others) or to enable senior managers to focus on specific development areas.

3.4 Practices to retain best talent

To retain their best talent, respondents have indicated that again they place much emphasis on regular performance reviews (Figure 10). Further, the respondents interviewed mentioned several ways in which performance reviews assist retention. In particular, these help find out what people’s ambitions and development aims are, and they are opportunities to give employees the individual attention and recognition they need. Besides, they can jolt employees out of their comfort zone and give them new challenges, which will make them less likely to look elsewhere.

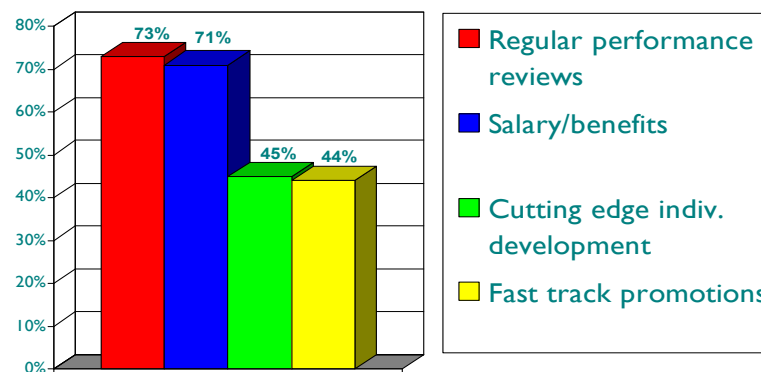
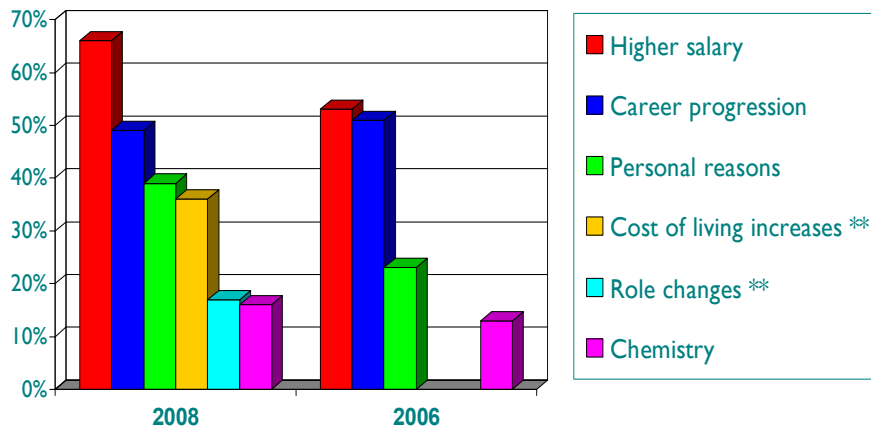


Figure 10: Practices used to retain best talent

Salary and benefits come as a very close second to performance reviews, suggesting that successful retention strategies will likely consist of both a financial and a more ‘motivational’ approach. This would concur with the growing recognition that ‘throwing money at people’ is not what keeps them, and that the main ties which link people to their organizations are emotional rather than financial.

3.5 Why people leave

A 2006-2008 comparison of the main reasons why people leave an organization (Figure 11) reveals that salary is a more dominant reason now than in 2006. This is interpreted as an indication of the more competitive environment and of the impact that the rising cost of living has on people's career decisions.



** : category not present in 2006 survey

Figure 11: Main reasons for people leaving the respondents' organization

4. Morale and Motivation

4.1 Current morale levels

Responses on the current morale levels reveal a near-even split between 'good/excellent' and 'OK but there are issues' responses (Figure 12). This suggests that close to half of the organizations participating in the survey are not enjoying a very positive morale, perhaps as a result of the stress growth places on organizations and individuals.

Further, patterns are observed between high morale and a number of other characteristics. In particular, organizations with higher morale levels also tend to believe that employee development is a motivator, to have development programs targeted at high-potential employees and at senior management, to use coaching, internal mentors and cutting-edge individual development for high-performance individuals. They also tend to experience lesser resistance to change. They offer fast-track promotions to high-potential individuals. In these organizations, HR tends to play a core, strategic role.

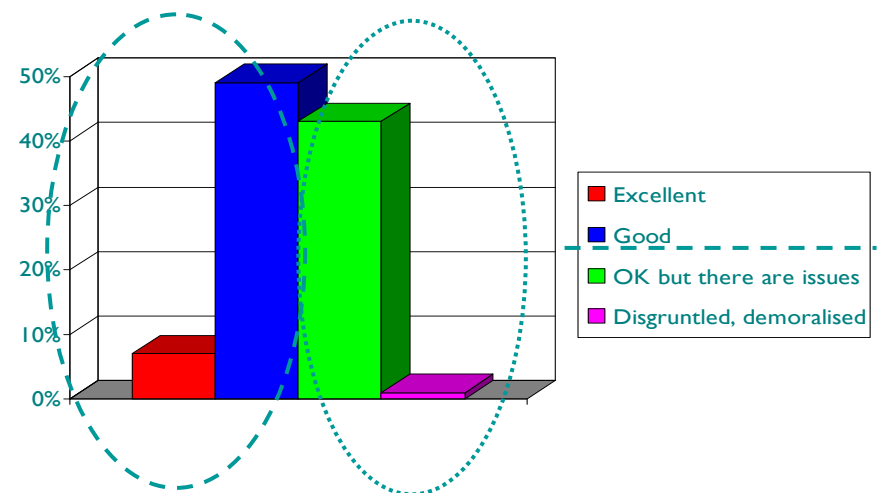


Figure 12: Current morale levels

Inversely, organizations with lower morale levels tend to have experienced change due to restructuring, downsizing and have had concerns about the future of the organization. They tend to also have a poorer working environment, poor management of recent changes and poor top-down communication. Further, they have experienced rather more 'chemistry' problems which have led to the departure of some of their key people. In these organizations, HR has tended to remain an admin/personnel function.

4.2 Positive contributors to morale

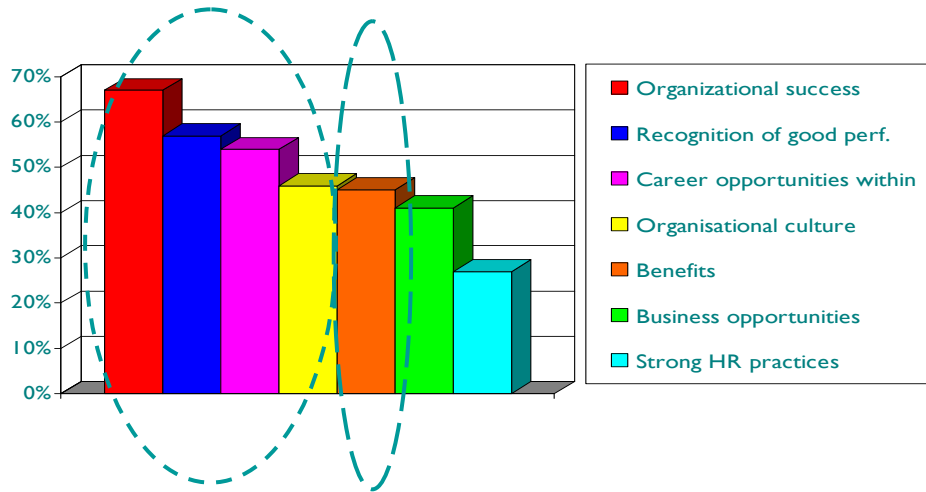


Figure 13: Positive contributors to morale

Looking more precisely into the main positive contributors to morale (Figure 13), one notes the positive influence of good performance: at the organizational level in organizational success, and when individual performance is recognized. Financial benefits are only cited as the fifth contributor – suggesting the importance of more ‘aspirational’ elements in raising morale in organizations. Statistically, companies which recognize good performance also tend to use coaching and internal mentors and to recognize that career opportunities contribute to strong morale. They also tend to perceive HR as a core, strategic function. On the other hand, the organizations which do not see the recognition of good performance as a contributor to positive morale tend to experience the lack of time as a major challenge during periods of change. This suggests that in these organizations, the perceived lack of time affects the recognition of individual efforts in times of change, thus creating the condition for a downward demoralization spiral.

4.3 Negative contributors to morale

The escalating costs of living have by far the biggest negative effect on morale (Figure 14). The next two contributors, poor top-down communications and lack of career opportunities within the organization, have the ‘merit’ of being within the organization’s control. There is a pattern linking poor top-down communications and poor management of change, suggesting that addressing one may lead to a reduction of the other too. According to the respondents interviewed, top-down communication is essential to keep people engaged by involving them in the decision-making. Also, since high-performing employees are usually the most ambitious, they want access to the top echelons of the organization, and expect to be in the know as well as being consulted.

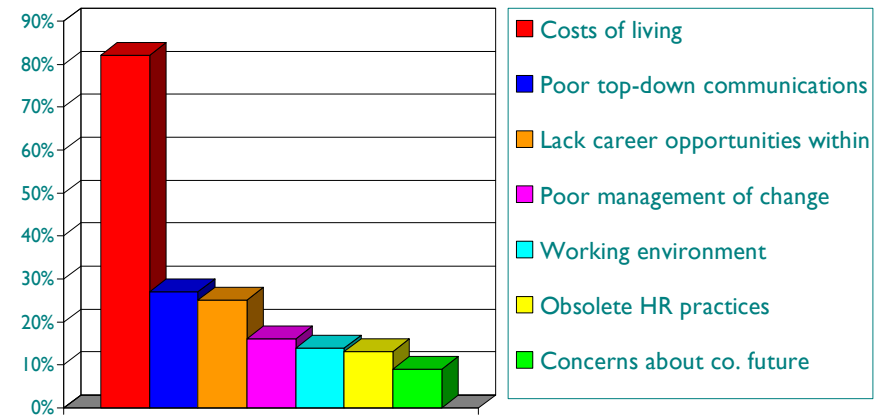


Figure 14: Negative contributors to morale

4.4 Motivators

Respondents' views on what motivates people to work for them re-emphasize the primary importance of non-financial elements (Figure 15). Indeed, good salary or benefits is only the fourth most motivating element, after industry leadership, development and meaningful work. More organizations ensure they emphasize the societal contribution of their work, if they work in a 'vital' sector (e.g. healthcare, education) and make sure they involve junior members of their teams or trainees with important work. Organizations which believe that meaningful work motivates people tend to use projects and coaching more.

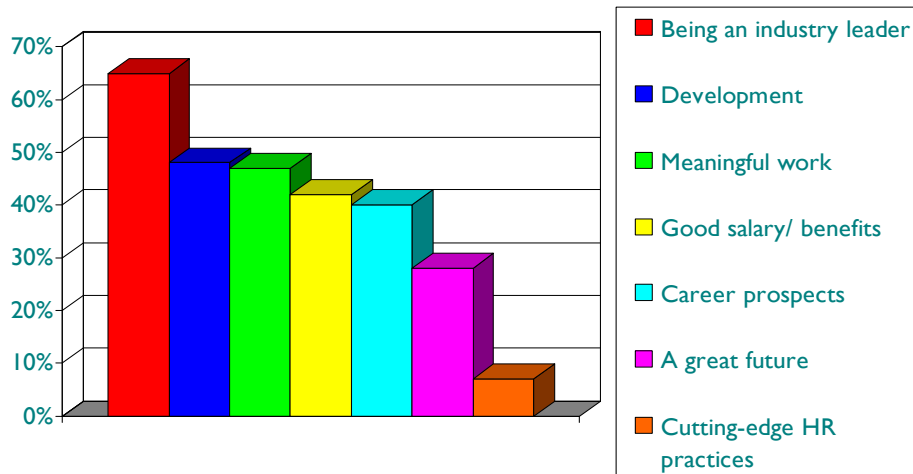


Figure 15 Main elements motivating people to work for the respondents' organization

5. HR – Positioning and agenda

Table III shows the manner in which perceptions of HR evolved in the respondents' organizations over the past three years. While three years ago 72% of the organizations considered HR as a rather basic function (with no HR department, as an admin or a basic personnel function), they are only 12% now to still be perceived in this manner. At the opposite end, while HR was perceived as more strategic (as all round HR support of a strategic business partner/change agent) in only 28% of respondents' organizations, it is now the case in 89% of organizations. These results show the significant strides accomplished by HR in the region over the past two years.

	3 YEARS AGO	NOW
No HR dept	10%	0%
An admin function	31%	7%
Basic personnel	31%	5%
All round HR support	20%	46%
Strat. Bus. Partner/ agent change	8%	43%

Table III: Perceptions of HR – 2006-2008 comparison

5.1 HR – main challenges

When asked about the main challenges faced by HR, respondents reconfirmed the major impact of the region's inflationary trends and the war for talent: the main two challenges are perceived to be the increasing costs of living and the difficulty of sourcing talent respectively (Figure 16). However, beyond these first two concerns which are mostly outside the control of the organization, organizations can take a more proactive stance with the next three most important challenges, namely losing talent to the competition, developing talent for growth, and remaining an employer of choice.

The earlier findings on morale and motivation provide a number of possible directions for organizations to have a better control on retention and employee performance.

Further analysis reveals that when HR plays a more strategic role (either as a strategic business partner or as a change agent), the change results in a decrease in morale less often than when HR is perceived more as the guardian of policy and practice or as administration and payroll. This suggests that HR, if involved at the right time and at the right level, can influence the impact change will have on employee morale.

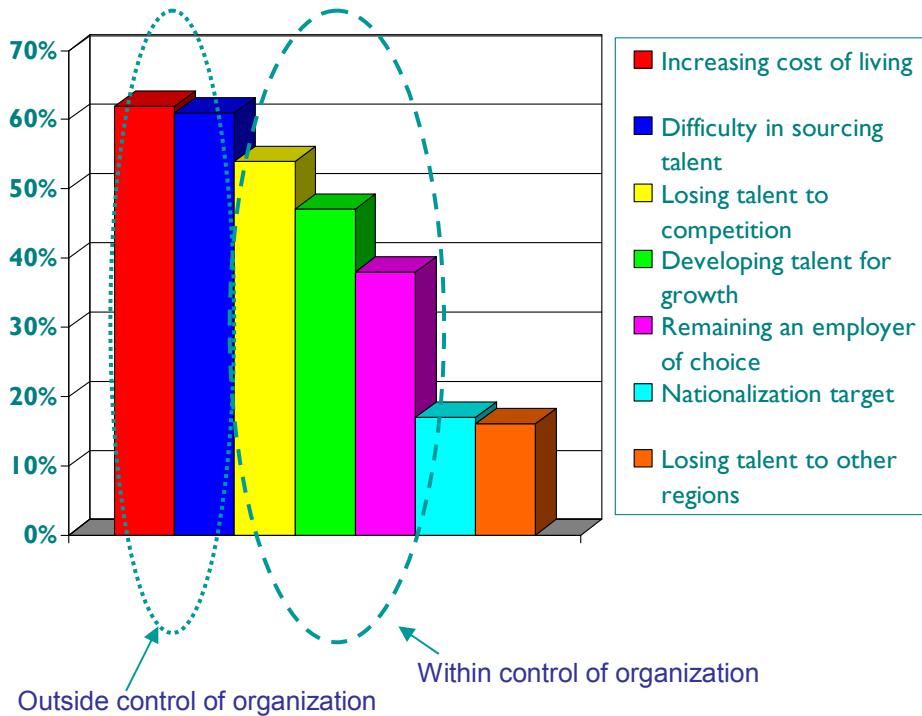


Figure 16: Main challenges faced by HR

5.2 Areas of HR focus

When asked to indicate which two areas they would focus most in the next 2-3 years, a strategy to attract the best employees was chosen by over 60% of respondents (Figure 17). Next, succession planning and the need for HR to become a strategic partner were identified by around 50% of respondents. Statistically, a focus on succession planning is more prominent among organizations in which HR is seen as more strategic. Some of the respondents interviewed indicated that they use succession planning as a retention tool, to tell people how much they mean to the organization. Another pattern shows that smaller organizations (below 1000 employees) want to spend more effort on supporting employees in new roles. Finally, core sector organizations are more focused than the others on developing the skills of their HR team.

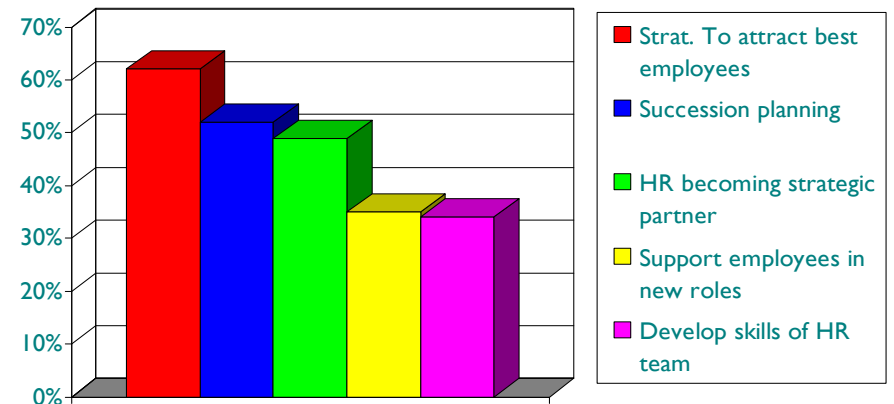


Figure 17: Main areas of focus for HR over the next 2-3 years

5.3 HR development

In terms of the amount of development which is taking place within the HR department itself (Figure 18), there is a nearly even split between those which are developing a little or a great deal (51%) and those which are not (49%). Further patterns can be discerned, between those organizations where HR has remained static and growth-related change, lack of resources during change, and change having necessitated large amounts of training and development. These contexts have not been propitious to development within the HR team, possibly because it had to react to other pressing needs. However, another pattern links organizations where HR has developed and high morale in the organization, belief in individual cutting-edge development, and the setting of becoming a strategic partner as an HR priority. This second pattern represents a more proactive approach.

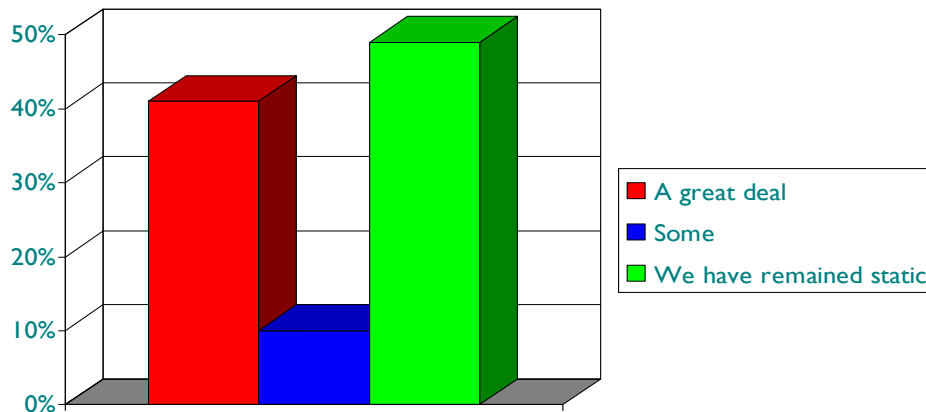


Figure 18: Extent of development within the HR department

Conclusions

A number of key trends and concerns surfaced from this research. In particular, retention is becoming a very critical issue, in an environment of extraordinary growth.

Of course, salary and cost of living issues remain on top of the agenda, but unless packages fall below 'survival' level, high-potential people can also be motivated and retained with career prospects, customized development, recognition and meaningful work. This trend is likely to remain, as the region increasingly becomes a destination of choice for ambitious, career-minded professionals. Within this backdrop of a talent suppliers' market, communication, poor workplace atmosphere, poorly executed change and poor people management are dangerous morale killers which may well cause organizations serious talent retention problems.

The survey also highlighted the rising role of succession planning in the region, as it becomes imperative to let core people know that they feature in the company's future. These trends all point to the likely continued pressure on HR to sharpen talent attraction and management strategies.

Emerging best practices

The patterns which have been observed enable us to highlight a number of emerging best practices related to talent management, retention and the role of the HR department among the region's leading firms.

Best practices 1: Talent management

Talent management is becoming the main HR strategy to enhance the bottom line and maximize retention. Its introduction and the implementation of talent management systems are the result of the combined effect of growth, the increasing career focus of employees and increased competitiveness.

Talent management is usually linked with the individualization of development, career progression, and the focus on high performance individuals, whose performance is monitored very closely, and is recognized through public praise, faster career progression (if the structure and size of the organization allow), and inclusion in succession plans.

Best practices 2: Retention through motivation

As attracting new employees becomes more difficult and costlier, high retention is crucial. Besides the provision of competitive financial packages, more emphasis is placed on enhancing the motivational aspects, based on the growing recognition that the strongest ties binding employees to organizations are emotional rather than financial. Therefore, organizations achieve higher retention by providing individualized development (mentoring, coaching), using performance reviews to align employee and organizational objectives, using succession planning to provide career options and emphasizing organizational success, an emphasis on meaningful work and individual recognition as motivators.

Best practices 3: HR's front-line role

To enable their organization to retain the services of the best in their profession and industry, HR professionals need to play a front-line role, focusing on both talent acquisition and talent retention. The more proactive organizations have developed strategies to increase retention in spite of the pressure of recurring heavy recruitment needs. They deploy a series of motivators (cutting-edge development, career prospects, and recognition) to counter the impact of cost of living and salary inflation. Taking a long-term view, they have put in place sophisticated talent management and succession planning systems.

They are aware of the critical importance of careful management of change, good top-down communication, and addressing 'people management' issues to keep morale up. To handle these demanding priorities, they have a proactive approach to their own department's development.

About DBM

DBM (www.dbm.com) is a leading global human resource consultancy, outplacement, coaching and career management firm. With 230 offices in 55 countries DBM annually guides more than 7,000 organizations and 250,000 individuals through key transitions caused by significant change events or by the dynamic ongoing employee changes which impact business daily.

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