



HRM in the GCC

A New World
HR for the
New World
Economy



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Introduction

This report, based on the most extensive research project into HR in the GCC, identifies significant opportunities for HR functions (HRf) and practitioners but also highlights major gaps between current HRf effectiveness and the needs of organizations. Business (line) leaders recognize the critical importance of human resource capabilities for the strategic success of organizations and the countries of the GCC; but even HR leaders themselves do not currently believe that the HRf contributes effectively to the development of these capabilities.

There is clearly a failure of the HRf to contribute visibly to strategic goals as well as, perhaps, a failure to communicate its value. In addition, the areas that the HRf thinks are important do not match the key issues expressed by business leaders. The HRf also appears to be good in areas that are seen as less important by leaders while less effective in areas that are seen as most business-critical.

There is also a great opportunity to improve the professionalism and effectiveness of HR practitioners in the GCC, and professional bodies such as the Arabian Society for Human Resource Management have a key role to play in training, guiding and helping HR practitioners to 'do HR better'.

Lastly, our extensive interviews and case studies strongly suggest that much of current 'best practice' HRM, developed from Western history of industrial relations in highly individualistic societies, is either irrelevant, inappropriate or dysfunctional in the GCC context, and in many other more collective/relationship-based societies. The leadership and organizational styles of these new emerging economies demands new approaches to HRM and may indeed add a new perspective to issues such as engagement, which in a world of vastly enhanced employee choice, is increasingly the major determinant of organisational success.

Perhaps, then, the time has come for a New World HR for the New World Economy.

What is the opportunity?

'Human resources' are the organizationally relevant capabilities of groups and individuals. For the member states of the Gulf Cooperation Council (GCC), the development of human capabilities, especially in nationals, is recognized as crucial. Each of the GCC countries has invested, and continues to invest, extensively (and expensively) in the education and development of its people. For example, see the introductory papers kindly provided by Dr. Vijayalaxmi Moovala¹ and Ms. Shaima Aqeel Janahi² on HRM in Bahrain and by Nada Al-Hamad³ on HRM in the Kingdom of Saudi Arabia. The true potential economic and social benefits of these investments are still to be realized as the skills and education are not yet being reflected in levels of employment and development of national capabilities, particularly among young people, women and less able nationals.



'Human Resource Management' (HRM – which in this report includes Human Resource Development - HRD) is the creation, utilization, development and retention of human resources and a key element in enabling employers to get the best out of an increasingly educated national population. HRM therefore has a key role to play in the economic and social achievement of national and organizational strategies.

Only a small number of organizations currently deploy advanced, world-class HRM capabilities, (by which we mean service standards of HRf are at acceptable international levels, not necessarily that the content of these services are the same across the world). In general most commentators agree that HRM capability can, and needs to, develop rapidly (for summary see Afouni et al 2013). Further, whilst HRM in the GCC needs to be of world-class standard, it must also be tailored to the specific requirements of the local economies, societies and cultures. For example, in the GCC, HRM needs to leverage the various localization programs such as Nitaqat in KSA and to take account of the need for effective utilization of large expatriate labor forces.

Various studies (see Afouni et al 2013) have suggested that the professionalism of 'HR functions' (HRf) in the GCC is not of world-class standard and might have relied too much on unsuitable imported HR methods. This project aims to recommend practical ways to maximize HR professionalism in the GCC so that HR professionals can make a full contribution to the achievement of national and organizational strategic goals.

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Human Resource Management (HRM) is a key element in enabling employers to get the best out of an increasingly educated national population

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2. Ms. Shaima Aqeel Janahi, HR Tutor, Bahrain Polytechnic, Kingdom of Bahrain
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Opportunities to impact strategic objectives of the countries

Building national talent

A key objective of all the GCC States is to develop the skills and talents of nationals. This applies in the current key sectors of oil and gas as well as in sectors it is hoped will provide sustainable GDPs in the future, such as knowledge work and technology. At a macro level, the governments have invested heavily in general and vocational education.

Achieving key GCC strategic objectives by building strategic capabilities

All the GCC states have clearly defined strategies and objectives which provide excellent information on the specific sectors and disciplines which may be most important for future economic and social success. HR practitioners can advise on the best ways to create these capabilities through effective training and development and, for example, motivation and engagement programmes.

Via professional bodies.

In this wider sense, the HR community in the GCC can directly contribute to the achievement of country goals such as nationalization by advising on best practice and raising the professional standards of GCC HR Practitioners. The Arabian Society for Human Resource Management (ASHRM) for example, has these as two of its main objectives.

Via direct work in Government bodies

Human development priorities for countries are of course implemented by government agencies and the HR practitioners in these agencies have a particular opportunity to contribute to these wider goals, as well as operating as HR providers within their specific organization.

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Opportunities to increase the business-impact and effectiveness of HRM in organizations

Strategic capabilities

The role of HR can be defined as 'building capabilities' and in particular 'building strategic capabilities' (Scott-Jackson 2011). As far as the organization is concerned, HR has the opportunity to demonstrate its contribution to the achievement of with strategic and tactical goals by providing in a timely, cost effective manner, the capabilities required. Given the rapid economic growth of GCC countries, most organizations will require additional capabilities to meet growth plans. HR needs to understand, define and plan to build these capabilities through recruitment, development and retention.



HR has the opportunity to demonstrate its contribution to the achievement of strategic and tactical goals by providing in a timely, cost effective manner, the capabilities required



Maximize national talent

At an organizational level, it is clear that those who lead in employing and developing nationals enjoy a favoured status and general approval from the establishment and society as a whole. The employment and development of nationals certainly falls within the remit of the HR function so there is an opportunity for HR practitioners to make a significant contribution here.

Service delivery

HR processes in the GCC are made more complex because:

- the GCC countries employ expatriates of many different nationalities and regulations, working arrangements, visas and so on are extremely varied;
- GCC governments take a great interest in human development, so that government regulation tends to affect many aspects of HR. On the other hand, the regulatory environment in GCC countries is still developing, so rules and best practice are complex and may be experienced differently by different sorts of organizations;
- HR itself is developing as a role and many current HR Managers have been allocated HR responsibility in addition to existing administrative roles. It is not surprising then, that many studies have found a focus on basic administration among many of the smaller and less international organizations.

HR has the opportunity to provide cost-effective and relevant HR processes to ease the overhead burden on organizations and managers.

Advice and consultancy

For many GCC organizations, the key strategic limitations for growth are the capabilities and productivity of their workforces. In areas such as engagement, where discretionary effort may be crucial, HR has the opportunity to advise and consult.

Opportunities to increase the professionalism and reputation of HR practitioners in the GCC

Local expertise

The HR functions of GCC organizations are increasingly staffed and managed by GCC nationals (including a large proportion of females). It is important that these new HR professionals are properly trained and capable of high standards to ensure the success of HR and the organizations within which they work. More experienced HR practitioners and HR professional bodies, such as the Arabian Society for Human Resource Management, have the opportunity to help maximize the professionalism of HR across the GCC.

Management and strategy of HRM itself

As will be seen, effective models and processes of HRM, as a human discipline, are not fully developed or defined, even in the most advanced economies or organizations. There is an opportunity for GCC HR expertise to contribute a GCC focus to key debates on HR issues such as engagement, leadership and maximizing productivity.

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Increasing the professionalism of HR practitioners

Internationally recognized and accredited HR training, specifically designed for the GCC, will help HR practitioners to deliver world-class HR to their organizations. There are several global HR Certificate programmes but, to date, very few that focus on GCC specific content. The ASHRM HR Certificate is one example that does.



The image shows two men from behind, wearing traditional white thobes and ghutras with black agal. They are standing on a paved promenade next to a body of water. In the background, several high-rise buildings are under construction, with multiple cranes visible against a clear blue sky. The scene is brightly lit, suggesting a sunny day.

Scope and objectives of the research

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Project outline

The project aimed to:

- investigate the potential of HR to impact strategic success of GCC countries and individual organizations;
- investigate current HR capabilities in the GCC - strengths and weaknesses;
- produce a gap analysis between the potential for HRM in the GCC and current capabilities;
- provide practical recommendations to close the gap and enable HR functions and practitioners to maximize their impact.

The Project was carried out in conjunction with the Arabian Society of Human Resource Management (ASHRM) and colleagues from the University of Oxford, King Saud University, Qatar University, Sultan Qaboos University, Bahrain Polytechnic and Bahrain Institute of Banking and Finance and the top Universities in each of the other GCC countries.

The problems and solutions vary in each country, industry and labor sector. For example, Qatar may have a severe retention problem with experienced Qataris, while the KSA may have a problem of finding jobs for qualified nationals in remote regions (Scott-Jackson 2010), and the UAE may have issues in employing large numbers of newly-qualified women.



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Methodology

Data collection

A mixed methodological approach was adopted for this research study combining qualitative depth interviews with an extensive quantitative research survey.

Qualitative depth interviews were conducted with a number of business professionals across the GCC to obtain detailed feedback on a range of HR topics. These interviews were conducted over the phone by trained OSC consultants and followed a semi-structured approach where the interviewer asked a number of pre-defined open questions and also allowed the respondent to speak freely about other topics not necessarily included in the interview script. The interviews lasted around 20 minutes and the findings were used to inform questionnaire design for the quantitative stage of the project. Some interview feedback has also been used as case studies in the main body of the report.

The quantitative stage consisted of a 20 question survey focusing on HRM practices in the GCC. As part of the survey respondents were asked to rate the effectiveness of HR, its contribution to business priorities, identify any key strengths and suggest potential future improvements. Demographic information was also collected to allow researchers the option of conducting sub-group analysis.

A GCC-based market research fieldwork provider was commissioned to conduct Computer Aided Telephone Interviews (CATI). Trained interviewers were guided by a questionnaire displayed on screen and each interviewer recorded answers via their keyboard, either by entering numbers which corresponded to pre-coded answer options or by entering open text comments. Conducting interviews over the phone allowed for large scale accessibility and the highest level of anonymity for respondents who wished for their responses to be kept confidential.

Sampling

Almost 1100 business professionals were interviewed in the quantitative stage of this study between January and February 2013. The interviews were split at role level to ensure a representative participation from HR and Non-HR staff and a range of seniority levels including directors, managers and team members. Interviews took place across all six GCC nations and quotas were set in place at a country level to ensure a representative distribution of responses.



Findings

The importance of Human Resources to business leaders

Business leaders were asked to rate the importance of human resources' contribution to the future success of their organization, country and the GCC region. This question was asked as part of an interview and was dealing with human resources in the sense of people capabilities, rather than the HR Department or function.

A 5 point Likert scale was used to measure the importance of the statements where 1=Strongly disagree, 2=Slightly disagree, 3=Neither agree nor disagree, 4=Slightly agree and 5=Strongly agree.

Around 8 out of 10 business leaders strongly or slightly agreed that human resources was important to the future success of their organization, country and the GCC region. 79% strongly or slightly agreed with the statement 'HR is important for my organization's future success'. 82% agreed strongly or slightly agreed with the statement 'HR is important for my country's future success'. 80% agreed strongly or slightly agreed with the statement 'HR is important for the future success of the GCC region'.

Importance of HR

To what extent do you agree or disagree with the following statements about HR's contribution to future success?



HR Leaders n=142 & Non HR Leaders n=248



Impact of world class HRM on GCC businesses

Business leaders were asked how much extra profit (private sector) or effectiveness (public sector) they felt would be added to their organization if every member of their HR team were of world class standard. On average, business leaders felt a team of world class HR staff would add 12% to their organization's profit or effectiveness.

A 12% increase in profit across GCC listed companies would yield an extra \$14 billion per annum in company profits.

Impact of world class HRM on GCC businesses



Business leaders believe that world class HRM would add, on average, at least 12% extra profit per annum



A 12% increase would add \$14 billion to GCC listed company profits

If every member of your HR team was of world class standard how much extra do you think it would add to your organization's profit/effectiveness?

Average extra profit/ effectiveness business leaders feel will be generated from world class HRM

12%



Only a quarter of HR leaders (25%) rated HR as excellent compared to global best practice

Current effectiveness of HR in the GCC

In light of the significant importance and potential contribution of HR expertise to business leaders, HR leaders themselves were asked to rate the overall effectiveness of HR in the GCC compared to global best practice. They were presented with a 5 point Likert scale where 1=Very poor, 2=Poor, 3=Neutral, 4=Good and 5=Excellent (world class).

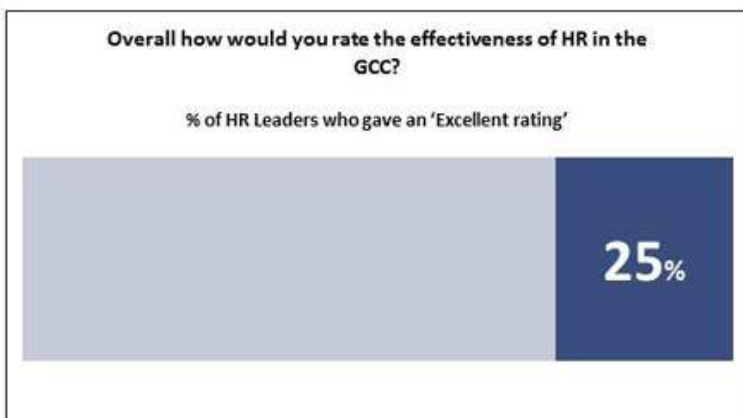
Only a quarter of HR leaders (25%) rated HR as excellent compared to global best practice.

Business leaders recognise the critical importance of human resources (or capabilities) to their own organizations and the wider GCC but HR leaders themselves rate current effectiveness as low. This gap represents a significant opportunity, and challenge, for HR practitioners in the GCC. The training and professionalism of HR practitioners is a key element in meeting this challenge and is addressed in the next section.

Current effectiveness of HR in the GCC (compared to global best practice)



Only a quarter of HR leaders rated HR in the GCC region as 'Excellent' compared to global best practice



"Even if HR is knowledgeable and capable decision makers in the GCC don't rely on HR to make decisions. HR in this part of the world is not utilized to its full potential."
HR Leader, Bahrain

"HR has a enormous impact on the profitability of the organization and allows for higher investments or better development opportunities for employees. HR has to challenge the effectiveness of the organization and has to share the responsibility for the improvement."
HR Leader, UAE

HR professionalism

A total of 252 HR professionals were interviewed in this study. Over half (56%) were HR Leaders - Directors and Managers. A further 44% were non-managerial HR team members.

On average, HR professionals had 4 years' experience working in HR roles. Around 1 in 10 (11%) had less than 1 year's experience, 37% had 1-3 years' experience, almost half (49%) had between 4 and 7 years' experience and 4% had 8-15 years' experience.

These levels of experience are comparable to global figures but our interviews and case studies suggest much of this experience is administrative and sometimes barely related to HRM. Of course, experience must be relevant and appropriate and most professional bodies (e.g. ASHRM, CIPD, SHRM) offer guidance and assessment of experience as part of continuous professional development. ASHRM, for example, is also able to award components of the Certificate in HR, based on carefully assessed experience (Recognition of Prior Learning).

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Around 50% of HR professionals had less than 4 years' experience working in HR roles. Over 56% describe themselves as HR leaders

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HR respondents: role and experience

Which one of these best describes your role in the HR team?



How many years have you worked in HR?



HR training & education

HR professionals were asked to list the training or education they had received that was relevant to their role in HR. Three out of 10 (30%) HR Professionals had received no relevant HR training or education and almost 4 out of 10 (37%) had not attended any HR-related training courses.

Three out of 10 HR Professionals had received no relevant HR training or education

Several of our case study respondents suggested that direct HR knowledge or experience was less important than the right attitude and personal characteristics and this reflects our experience in Europe of a clear gap between the technical delivery of HR services, where specialist training would be critical, and the more strategic roles where business acumen, wide experience and personality characteristics seemed more relevant. This also suggests perhaps that the future career path to a senior HR role may require more general management than technical HR knowledge.

In common with other countries, formal training is more frequent in the HRf of larger, more international companies. These types of organizations also tend to provide more extensive HR infrastructure and support so, ironically, HR training is least often applied where it is most needed – in smaller organizations where the HRf is likely to be small and self-reliant.

HR training & education



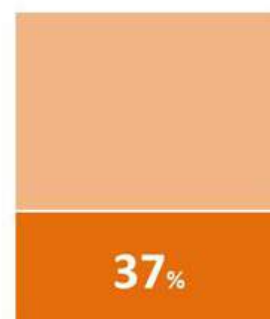
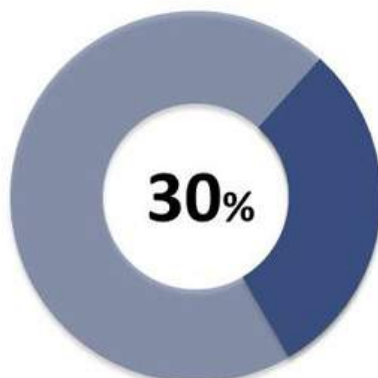
What training or education have you received that is relevant to your role?



Three out of 10 HR professionals had received **no relevant training or education**



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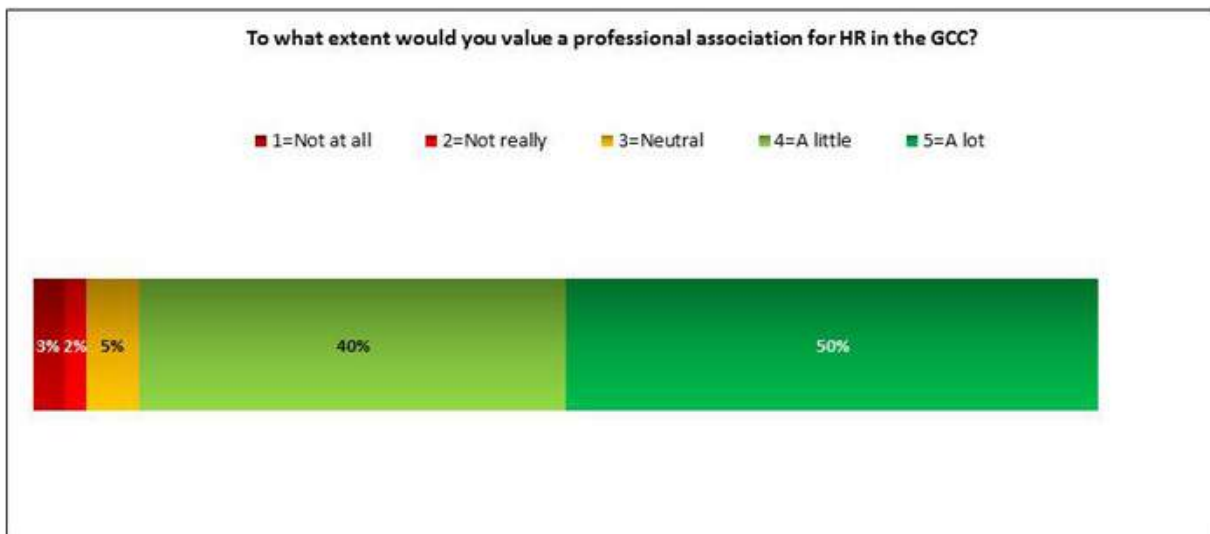
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Nine out of 10
respondents
(90%) would value
a professional
association for HR
in GCC
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Professional HR association for the GCC

Only 10% of the respondents stated that they were members of existing professional bodies such as SHRM and CIPD. Our case studies have suggested that the GCC may require specific HR models and practices so the HR professionals were asked in the interviews whether they would value a GCC focused HR professional association such as ASHRM (in addition to the options of SHRM and/or CIPD).

Nine out of 10 respondents (90%) would value a professional association for HR in the GCC. Only 5% would not really or not at all value a professional association for HR in the GCC.

Professional association for HR practitioners in the GCC



Cases A: Western vs. GCC-specific HR practices

The case study organizations have implemented HRM along a spectrum from 'global, universal HR practices' (based on traditional western HRM models) through to highly localized approaches. Generally, the large multi-nationals operating in the GCC try to implement global processes and approaches with some local tailoring (described as 'glocal'). The tailoring is generally driven by regulatory or government pressures (e.g. from nationalization programmes or encouraging women's employment) rather than responding to any particular local cultural or social nuances. GCC family firms and smaller organizations tend to operate local variations of HRM with some elements of global 'best practice' incorporated. The case study respondents from all the organizations suggested that HRM should be practised according to a global (western) approach and that any deviations were generally seen as compromises to allow for 'less developed' business environment. In other words, all the organizations are on a journey towards global best practice rather than adopting locally relevant approaches because they have specific value.

Oman - western standards/practices

Oman's investment promotion agency, the Public Authority for Investment Promotion and Export Development (PAIPED), is a government organization with a "private sector mentality" according to the interviewee. To support its goal to develop, grow and compete, it has adopted best practice standards associated with western-style management, such as International Organization for Standardization (ISO) and Investors in People (IIP). It was the first government organization in the Middle East to be IIP-certified and is now working towards silver standard.

As a result, PAIPED has followed rigorous international standards vis-a-vis business improvement, productivity and staff development, for example, ensuring job descriptions reflect roles and identifying training needs. While performance management against objectives is reported as inconsistent with other collective cultures, by instituting major changes in leadership and organizational culture PAIPED has been successful in setting rigorous performance objectives and improving performance and services.

Saudi Arabia - 'glocalization'

DW5 is a large multinational private company and a household name. In the main it applies the same people management practices (considered as best practice) across its global operations, which appear to meet the needs of its Saudi Arabian division. An example is the DW5 Academy of College Hires, a development program for newly hired graduates. This is well received by Saudi talent as it provides an opportunity to meet peers from the rest of the world and travel to other countries. However DW5 has adopted a 'glocal' approach, supplementing international practices with targeted interventions to address the specific needs of its Saudi Arabian business. An example is BOLD (Building Organizational Leadership Development), specifically designed to support the development of Saudi graduates.

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Nationalization considerations often mean that HR practices have to be configured to address the challenges of attracting and retaining the best local talent

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International standards tailored to local culture and needs

DW1 has introduced an international approach to performance management as part of its wider strategy. to increase the value-add of HR and to underpin its ambitious international goals. It was recognized that this would be a challenge, representing a big shift away from a culture of limited or no performance rating differentiation, avoidance of difficult conversations and limited performance-award linkages, to one of meritocracy. "When you do a performance review and the employee doesn't like the rating, they may sit and cry or complain," DW1 told us., with some employees seeing this as insulting and a deeply personal reflection of dislike.

DW1 has been sensitive to how it has implemented this new approach, which is supported by their Managing Director (who is a local) and the CEO, tailoring it to the local context. It has introduced performance rating levelling to ensure fair and consistent ratings as managers were uncomfortable addressing non-performance and differentiation. DW1 has also paid significant attention to communication to support implementation, providing to line managers detailed toolkits, 'dos and don'ts', and clear explanations of the performance management rationale to help them communicate appropriate and consistent messages to their staff.

Qatar - local market adaptation

Nationalization considerations often mean that HR practices have to be configured to address the challenges of attracting and retaining the best local talent. Shell also operate 'glocal' practices but in some cases have to radically alter the global model to suit the local context. For example, although there is a global educational support scheme, Shell in Qatar introduced a local education support scheme in order to increase its ability to attract local talent as part of Qatarization and also to be competitive in the local market, which has significantly different characteristics to most western economies.

Organizational HR priorities

Both HR leaders and business leaders were asked to list the three most important things their HR department should be doing for their organization. The most frequently listed areas from business leaders were:

- recruiting the right people to meet business needs (34%) – line managers’ focus on resourcing the right talent is repeated in most global surveys over time, although the focus does vary according to economic climate. In the GCC, current high growth would increase the importance of talent acquisition;
- support and help for employees (30%) - this concern is shared by HR leaders (below); and
- developing and training the workforce and leaders (30%).

The most frequently listed areas from HR leaders were:

- facilitating organizational change (36%);
- enhancing employee engagement/commitment to the organization (33%) and;
- support and help for employees (28%).

This demonstrates a disconnect between what business leaders want from HR and what HR feels it should be focusing on. This is commonly found in surveys in other regions (e.g. CIPD 2013) and reflects a general dissociation of HR activities from business objectives. Obviously, if HR is to meet the challenges and opportunities referred to earlier, then it has to find a way to close this gap.

Organizational HR priorities

What are the most important **THREE** things HR should be doing for your organization?



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Performance of HR delivery

Both HR leaders and business leaders were asked to rate how well they thought HR was performing on a range of different competencies.

They were presented with a 6 point Likert scale where 1=Not very well and 6=World class standard.

The results are presented as mean scores out of 6 and organized in relation to what business leaders felt were important HR areas.

HR leaders gave higher performance ratings for almost all HR competencies than business leaders.

In the two most important areas for business leaders, HR performance was rated notably lower by business leaders than HR leaders

In the two most important areas for business leaders, recruiting the right people to meet business needs and support and help for employees, HR performance was rated notably lower by business leaders than HR leaders.

This shows a further disconnect between HR and the rest of business, where HR is perceived as underperforming in key areas which are essential to supporting the rest of the business.

Although this finding also appears in other global surveys, the disconnect is somewhat greater in the GCC. The interviews suggest that this may reflect the business leaders' recognition of the importance of HRM and resulting frustration at HR's inability to meet the challenge.

Performance of HR delivery

*How well are HR delivering the following?
On a scale of 1 to 6, where 1=Not Very Well and 6=World Class Standard*



HR Leaders n=109 & Non HR Leaders n=100 7

HR improvement areas

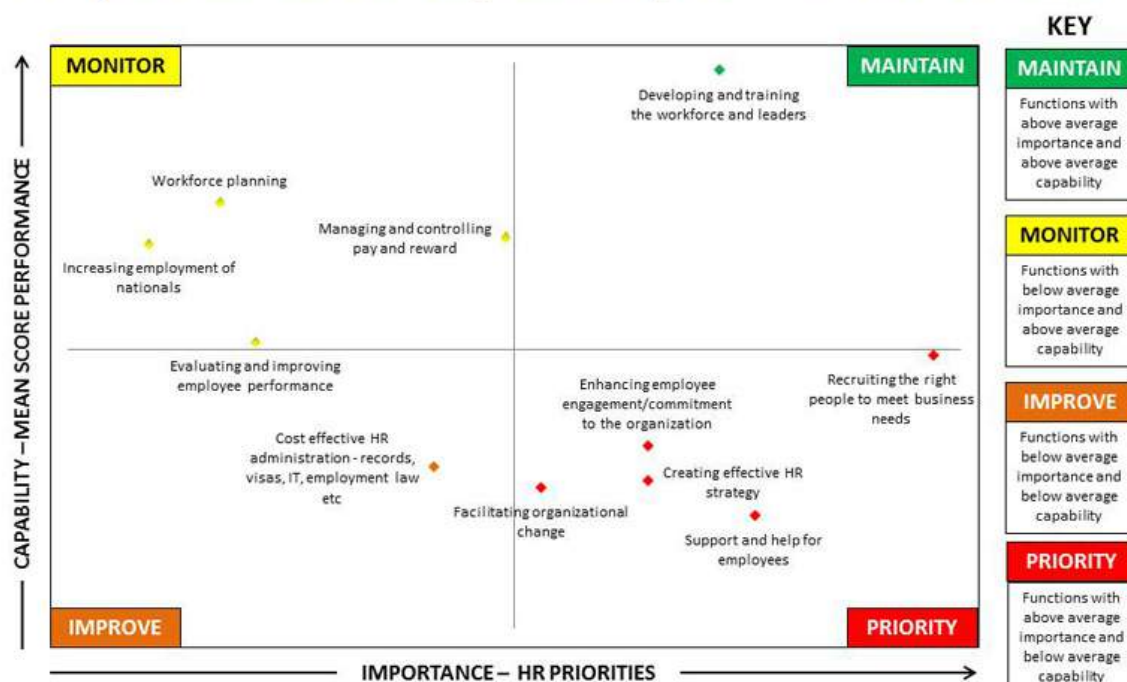
Both HR leaders and business leaders were asked to list what they felt needed to be improved about the HR department in their organization. The areas business leaders identified as key for HR improvement were;

- understanding and supporting business goals;
- employee engagement and team working;
- administration and employee support; and;
- motivating, engaging & rewarding employees.

HR leaders were more likely to mention:

- training and developing the skills needed;
- recruiting the right people; and
- increasing employment of nationals as key HR improvement areas.

Gap analysis – non HR leaders importance & capability of HR functions



Gap analysis - HR leaders

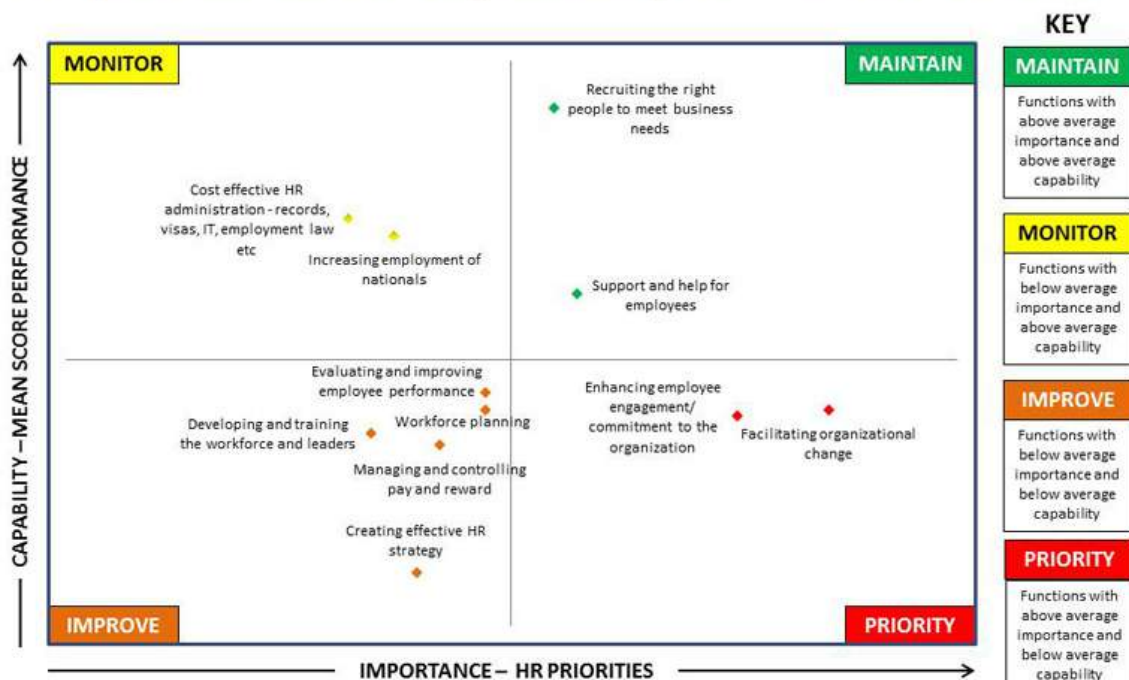
Using the data previously shown - HR priorities (importance) and HR delivery (capability) - it is possible to create a quadrant matrix mapping each HR competency by how important it is and how effectively it is delivered.

The x and y axis cross at the average rating for each. HR competencies to the right hand side of the graph are of above average importance and those to the left hand side of the graph are of below average importance. HR competencies on the upper half of the graph are of above average capability and those on the lower half of the graph are below.

Two HR competencies were highlighted as priority areas for further improvement by HR leaders. Priority areas are those which are of above average importance and below average capability. These areas were facilitating organizational change and enhancing employee engagement/commitment to the organization. Improving these areas will have the greatest impact on overall HR effectiveness according to HR leaders.

Two HR competencies were highlighted as priority areas for further improvement by HR leaders. These areas were facilitating organizational change and enhancing employee engagement

Gap analysis – HR leaders importance & capability of HR functions



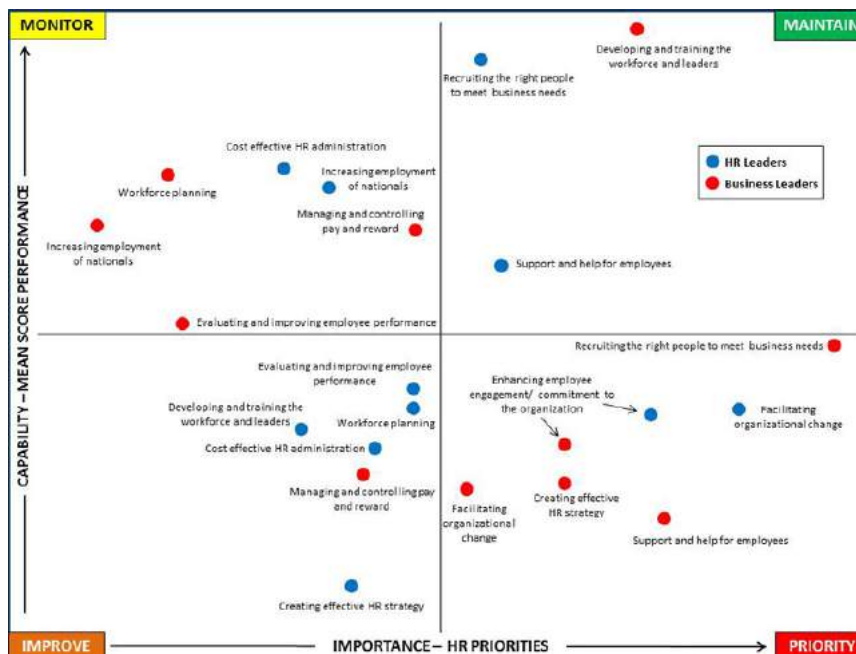
HR Leaders n=109 9

Gap analysis: business and HR leaders

Five HR competencies were highlighted as priority areas for further improvement by business leaders. These areas were recruiting the right people to meet business needs, support and help for employees, creating effective HR strategy, enhancing employee engagement/commitment to the organization and facilitating organizational change. Improving these areas will have the greatest impact on overall HR effectiveness according to business leaders.

Of these, enhancing employee engagement/commitment to the organization and facilitating organizational change are seen as priorities for both HR and business leaders.

Very few, for example, use any kind of engagement survey and those that had tried stressed the need for confidentiality and independent administration as otherwise the results are unrealistically positive.



Priority HR improvement areas

- HR and non HR leaders rated **facilitating organizational change** and **enhancing employee engagement/commitment to the organization** as priority improvement areas



- Both these functions were seen as **highly important** for future success, but were **under-performing** relative to HR's capabilities in other less important areas

- Non HR leaders also rated **recruiting the right people to meet business needs, creating effective HR strategy and support and help for employees** as key improvement areas

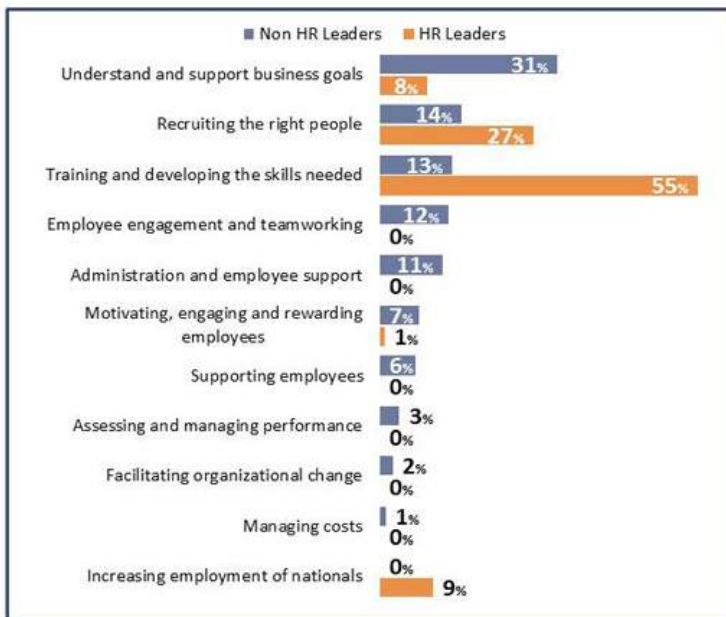
The important area of engagement was rarely mentioned as 'the best thing about HR' nor was the employment of nationals

Best thing about HR

Both HR leaders and business leaders were asked for their opinion on the one best thing about HR in their organization. HR leaders felt the best thing about their HR department was administration and employee support (40%), although only 8% of business leaders mentioned this category. 21% of HR leaders and 36% of business leaders mentioned understanding and supporting business goals as the best thing about HR. Again, the important area of engagement was rarely mentioned as 'the best thing about HR' nor was the employment of nationals.

HR improvement areas

What do you feel needs to be done to improve HR within your organization?



"We need HR practitioners who also have business expertise - theoretical HR people don't deliver what is now needed."
HR Leader (Government)

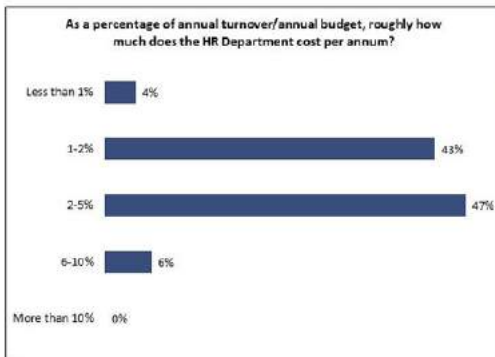
"Linking in to the wider group more effectively and sharing best practices in a pragmatic way, not just theory."
Non HR Leader (Private Sector)

"Education of Line Managers and continuous improvement of HR staff competence levels."
HR Leader (Private Sector)

"Gulf region lack understanding of HR because to them this department is all about recruitment and that's it."
Non HR Leader (Private Sector)

HR Leaders n=134 & Non HR Leaders n=176 12

HR department cost



AVERAGE COST OF HR DEPARTMENT RELATIVE TO TURNOVER/BUDGET
3%
Average based on midpoints

Almost half of respondents (47%) stated the cost of the HR department was 2-5% of the annual turnover/budget
 A further 43% stated it was 1-2%

Costs and value of the HR department

HR department cost

HR leaders were asked what percentage of annual revenue (private sector) or budget (public sector) their HR department cost per annum. On average, HR leaders stated the total cost of the HR department was 3% of annual revenue/budget. Almost half (47%) calculated it to be between 2-5% and a further 43% calculated it to be between 1-2%.

Extra profitability/effectiveness of world class HR



If every member of the HR team was of world class standard how much extra do you think it would add to your organization's profit/effectiveness?

HR Leaders	12%	
Non HR Leaders	10%	

- A 12% increase in GCC company profitability would equal an extra \$14Bn pa to GCC GDP

HR Leaders=n=212 & Non HR Leaders=n=216 14

Extra profitability/effectiveness of world class HR

Both HR leaders and business leaders were asked how much extra profit (private sector) or effectiveness (public sector) they felt would be added to their organization if every member of their HR team were of world class standard. On average, HR leaders felt a team of world class HR staff would add 12% to their organization's profit or effectiveness and business leaders felt a team of world class HR staff would add 10%. This is again demonstrating the potential and the challenge for HR.

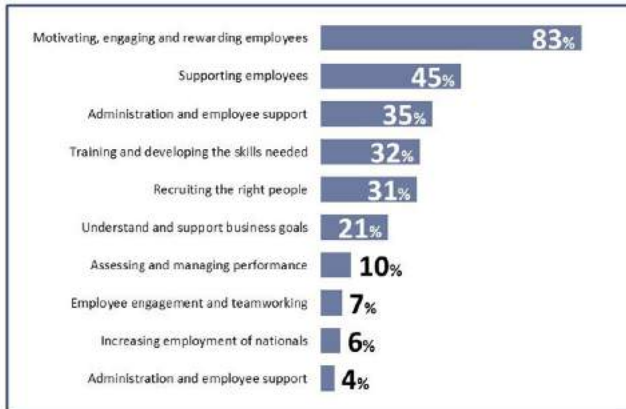
Business leaders
 assess the
 additional value
 of world-class HR
 staff as 13%

The value of world-class HR people

Both HR leaders and business leaders were asked how they rated the additional value of world-class HR staff. HR leaders suggested that world-class HR staff would be worth an additional 8% value and business leaders estimate the additional value as 13%. It is interesting that business leaders assessed the value more highly, perhaps reflecting their higher assessment of the importance of human resources.

HR support for line employees

What are the three most important things that the HR and Training department should be doing for you?



Line Employees n=208 15

HR and employees

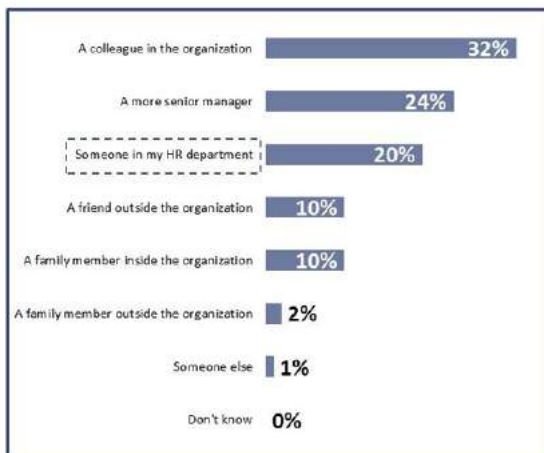
HR support for line employees

Non-HR line employees were asked to list the three most important things HR should be doing for them. The majority (88%) mentioned motivating, engaging and rewarding employees. Supporting employees (45%) and administration and employee support (35%) were also highlighted as important areas for employees.

Non-HR line employees were asked who they would contact if they had a problem at work. Only 1 in 5 (20%) said they would approach their HR department to discuss the problem. They were more likely to discuss the problem with a colleague (32%) or a more senior manager (24%).

HR and line employees

If you had a problem at work (which you could not discuss with your supervisor), who would you contact?



Only 1 in 5 employees would contact someone in HR if they had a problem at work

Non-HR line employees 16

Barriers to Improving HR

Both HR leaders and business leaders were asked to list the potential barriers to improving HR in their organization. HR leaders were most likely to mention budget or difficulties between cultures as barriers to improving HR practices. Business leaders were most likely to mention management not valuing HR and lack of cooperation.

Only 1 in 5 would approach their HR department to discuss a problem

A photograph of four individuals standing in a line, looking towards the right. From top to bottom: a man in a white thobe and ghutra, a woman in a black abaya and hijab, a man in a white thobe and ghutra with glasses, and a man in a dark suit and tie. They are positioned in front of a large glass and metal structure, likely a modern office building. The word "Conclusion" is written in blue text across the middle of the image, underlined.

Conclusion

Conclusion

The major gaps (which are by no means unique to the GCC) identified by this research are:

a) HR Strategy: Business leaders recognize the crucial importance of human resources for the strategic success of organizations, the country and the GCC generally with significant potential profit/productivity impacts. But the HR function is not seen as effective in realizing this potential - even by HR leaders themselves. There is a challenge and an opportunity to clearly define and demonstrate that HR's plans and priorities match the strategic goals of organizations.

b) HR Effectiveness: There are significant disconnects between the HR activities that HR think are important and those that business leaders think are important and similar disconnects in what HR thinks it is good at and what business leaders think HR is good at. Business leaders, for example, call for a focus on performance management to meet business goals while HR leaders are interested in enhancing training and development. HR is good at some things that are not seen as important and not so good at some things that are seen as important. Furthermore, the research indicated that HR was largely seen to be administrative and only a quarter of HR leaders in the GCC considered HR to be excellent compared to global best practice. There is a challenge and an opportunity to improve HR effectiveness, particularly in key areas identified as most important by the business. This requires senior HR professionals to understand and prioritise the needs of the business and also requires the use of an HR model that integrates business strategy and HR programmes, such as the strategic capabilities model developed by OSC (Scott-Jackson et al 2011). Similarly, there may be a need for organizations to carry out a formal review of HR Effectiveness (for example see HR Effectiveness Review). There is also the question of how to measure HR Effectiveness. In this survey 90% of companies indicated that HR department costs were less than 3% of organizational revenue or budget. But is this good or bad? Is it better to spend less on HR or more? An organization could spend much less, but still waste money through ineffective HR, or spend much more and gain major advantages if HR is truly adding value. In measuring HR Effectiveness, there are typically two approaches.

.....
There is a need
to define HR
processes and
approaches which
are relevant for,
and maximize
the advantages
of, GCC specific
organizational
culture and
leadership styles
.....

.....
HR professionals
in the GCC often
lack experience,
have not received
specific HR training
and do not benefit
from membership
of any professional
body”
.....

The first is to measure the ‘efficiency’ of the HR function, largely expressed as costs, revenue or volume, such as HR cost per full-time equivalent employees (FTE), revenue per FTE, and average training days per employee. This is the domain of typical benchmarking measures surveys (e.g. www.xperthr.co.uk/hr-benchmarking). Such measures, however, tell organizations little about the business impact of HR activities or the organizational context and complexity, which inevitably impacts such measures. The second approach better captures the state of HR by using measures concerned with ‘effectiveness’ of HR activities, focused on the impact of HR on the organization’s capability to deliver business goals and the return on investment (ROI) of HR activities. For example, whether investment in a specific training activity has had the desired impact on skills and behaviours and whether this has led to improved business results for those participating. Similarly, whether sales training has led to increased deals, sales or revenues of those sales people trained. For further details on the measurement of HR Effectiveness, see Scott-Jackson et al (2006).

c) HR professionalism: the report found that HR professionals in the GCC often lack experience, have not received specific HR training and do not benefit from membership of any professional body. It is striking that nearly half of the HR leaders surveyed have three years’ or less HR experience. This is a significant issue preventing the realization of the recognised benefits of effective HR. There is a clear opportunity and obligation for professional bodies such as ASHRM to provide high quality certified training, to work with employers and members to improve the professionalism of HR in the GCC and to ensure that individual HR practitioners have the expertise, tools and guidance to deliver world-class HRM. Within the GCC countries there are various state initiatives to regulate the quality of HR training and provision and it

is important that professional bodies and employers are fully involved to ensure these frameworks meet the real needs of the region and its organizations. There may also be an opportunity to provide differentiated professional development for individuals appointed to senior HR roles from other professional disciplines.

d) HRM for the GCC: This survey confirms that some aspects of global (western) HR best practice do not meet the needs of GCC organizations (for further details and example, see Scott-Jackson 2013). There is a need to define HR processes and approaches which are relevant for, and maximize the advantages of, GCC organizations. For example, a GCC organization may value loyalty and engagement very highly, in the belief that an engaged and loyal employee with a good understanding of the organization's overall vision and objectives will be able to contribute in a flexible way, irrespective of unforeseen events and influences. A rigorous appraisal system including tightly defined responsibilities and clear annual performance objectives may not be relevant or effective. It is important, especially for the professional bodies and major employers, that HR models are appropriate and flexible to meet the needs of the GCC-specific organizational and leadership cultures.

.....
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advantages of GCC
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.....

Human Resources Management in the Kingdom of Bahrain

Dr. Vijayalaxmi Moovala, Program Manager, Centre for Leadership & Management, Bahrain Institute of Banking & Finance, Kingdom of Bahrain & Ms. Shaima Aqeel Janahi, HR Tutor, Bahrain Polytechnic, Kingdom of Bahrain

1. The importance of HRM for Bahrain and its national objectives

'The Kingdom of Bahrain is built on the belief that the Bahraini people are this country's greatest asset. Every step taken towards the overall development of this nation has that belief as a core element, and it is therefore safe to say that the future of this country depends on ensuring that we deliver the highest standards of education, training and the transfer of practical skills. Bahrain's Economic Vision 2030 recognises that education and training are both important elements in delivering the future of the country' (Al Mudhahki, 2009).¹

The economic vision of Bahrain

Bahrain is committed to use its resources to invest for the future, improving its human capital through education and training, particularly in the field of applied sciences. The Economic Vision 2030 is a document providing strategic direction for a period of over two decades ending 2030. It serves to fulfill this role and provides guidelines for Bahrain to become a global contender that can offer its citizens even better living

standards as a result of increased employment and higher wages in a safe and secure living environment.

Bahrain's economic growth is driven by increased productivity in the private sector and by Bahrainis becoming the employee of choice for high value-adding companies. Economic growth in Bahrain will create the foundation for continuously increasing employment opportunities. The growing economy will create new jobs to employ Bahrainis entering the job market, while those Bahrainis already in the workforce will be able to move to better-qualified jobs and raise their income. This will nurture an expanding middle class with an improved quality of life.

The Government of Bahrain ensures that economic growth benefits all Bahrainis fairly by:

- Ensuring that economic growth creates medium- to high-wage jobs and raises incomes in all segments of society.
- Creating a level playing field in the job market for Bahrainis through immigration reform and the revision of labour laws.

- Helping Bahrainis attain medium- to high-wage jobs through support programmes and lifelong training.²

The role of education

His Majesty King Hamad bin Isa Al Khalifa during the Bahrain First festival [Bahrain Awalan] in December 2010 stated that: 'Education comes first and foremost to enhance our endeavours to achieve more prosperity and progress in our blessed country. Beloved students, you are the pillars, hope and backbone of the future, upon which the nation depends for generations to come.'³

Education empowers people to reach their full potential in business, government and society. It will shape and develop the successive generations and will provide Bahrainis with the skills, knowledge and values that they need to become the employees of choice for high value-added positions. Because education is essential for making this vision a reality, Bahrain is focusing to develop an education system that provides every citizen with educational opportunities appropriate to their individual needs, aspirations and abilities.

¹Dr. Jawaher Shaheen Al Mudhahki, Chief Executive, National Authority for Qualifications & Quality Assurance of Education & Training, Kingdom of Bahrain <http://en.qaa.bh/ViewPage.aspx?PagelD=9> [accessed 02 April 2013]

²'The Economic vision 2030 for Bahrain' - Strategic document released by Government of Bahrain

³<http://en.qaa.bh/UsersFiles/FckFiles/file/UsersFiles/eng%20annual%20report/Engl%20Final%20Final.pdf> [accessed 24 April 2013]

Education and training need to be relevant to the requirements of Bahrain and its economy, delivered to the highest possible quality standards, and accessible based on ability and merit.⁴

2. Overview of current initiatives in Bahrain

National Authority for Qualifications & Quality Assurance of Education & Training

As part of the wider 'Education Reforms' project, the 'Quality Assurance Authority for Education & Training' was established in 2008. Its mandate is to 'review the quality of the performance of education and training institutions in light of the guiding indicators developed by the Authority'. The Authority is also required to publish Review Reports as well as to report annually on the status of education within the Kingdom; this includes findings as well as improvements that have occurred as a result of the work of the Authority. In December 2012, it was re-organized as the 'National Authority for Qualifications & Quality Assurance of Education & Training', to reflect the new mandate and scope of work entrusted to the Authority. A new unit, the National Qualifications Framework Unit, was formed to complement the activities of the Authority's other units that are responsible for reviewing the quality of the performance of

education and training institutions, and for conducting the National Examinations.⁵

Tamkeen

An organization named Labour Fund was established in August 2006 [now called Tamkeen] as part of Bahrain's national reform initiatives and Bahrain Economic Vision 2030. It is tasked with supporting Bahrain's private sector and positioning it as the key driver of economic development. Tamkeen's two primary objectives are: 1) Fostering the creation and development of enterprises, and 2) Providing support to enhance the productivity and growth of enterprises and individuals. Under each of those objectives, a number of mechanisms and programs have been identified based on detailed studies of the labour market to identify current and future gaps for individuals and enterprises and how to address them.⁶

As of December 2011, Tamkeen injected more than BD 166 million into the private sector through its programs, targeting and benefiting more than 100,000 Bahrainis and enterprises. Moreover, it has made in excess of BD 166 million available through its enterprise financing portfolio, and enabled over 3,000 Bahrainis find employment, and more than 1,000 enterprises to participate in leading local, regional, and international trade fairs and exhibitions.

In 2012 Tamkeen launched more than 20 new initiatives. These

programs range from training to develop human capital - whether students, employees, employers, or job seekers - to match acquired skills to market requirements, and other programs which enhance the productivity of individuals through promoting awareness of successful practices in the private sector. For enterprises, Tamkeen provides professional consulting services to raise their performance, and facilitates access to financing to bridge the enterprise financing gap. In addition, Tamkeen is also supporting and contributing to other national initiatives which enhance investments in Bahrain, create opportunities for Bahraini individuals and enterprises in Bahrain to develop.⁷

Tamkeen Special Project related activities involve tactical strategic initiatives designed to support the objectives of Tamkeen and the economic growth of the Kingdom of Bahrain in support of the 2030 vision. These projects aim to enhance the growth, development and productivity of private enterprise, supporting Bahrainis to be employees of choice, and generating new opportunities for employment and wage growth. Current special projects being explored by Tamkeen in support of its objectives and mandate are:

Productivity Movement

The Productivity Movement initiative seeks to support and enhance national competitiveness in the economy by raising awareness and fueling productivity

⁴ <http://en.qaa.bh/ViewPage.aspx?Pageld=9> [accessed 04 April 2013]

⁵ <http://en.qaa.bh/AnnualReportEn2012.pdf> [accessed 04 April 2013]

⁶ <http://www.tamkeen.bh/en/> [accessed 02 April 2013]

⁷ <http://www.tamkeen.bh/en/about/?p=Profile> [accessed 02 April 2013]

maximizing practices within the private sector and Bahraini workforce as a means to realizing greater opportunities for Bahrainis. In doing so, improved productivity among businesses and the labour force will reinforce and boost the inherent value and efficiency of overall activity in the national economy. As a movement, Tamkeen will seek to support the development of a framework for productivity enhancement. However, as an economic objective, a tri-party approach to an effective productivity movement including Government, Business, and Labour will be required to ensure that widespread practices and knowledge relating to productivity is absorbed within most segments of the economy and society.

The Productivity Movement will spread knowledge and awareness of the potential benefits of productivity in the workplace and business environment along with the support of Government to help support the acceleration of economic activity and fuel job creation and business development as well as re-investment to support improved standards, work volume, profitability and quality and overall competitiveness both locally and internationally.⁸

Human capital development

Human capital development initiatives and projects at Tamkeen have been designed to address challenges in the labour market and to put forward solutions to improve the employability and career progression of the Bahraini citizen

in the private sector with a vision to transform Bahraini citizens into employees of choice.

Labour market challenges related to the human element are:

- The economic and social costs of high unemployment
- Expatriate employees are cheaper, more productive and flexible
- Bahrainis are unable to compete with expatriates due to lack of experience and inadequate training
- Dissatisfaction with wage levels and working conditions leading to high labour turnover
- The employers' inability to provide Bahrainis with career path development opportunities
- The failure of training to respond to market needs

The focus of the Human Capital Development Division is to achieve the following strategic objectives:

1. Increase Bahransisation in sectors dominated by expatriates
2. Increase wages of existing Bahraini employees
3. Advance labour market systems

In addition to investing resources and effort in the development of labour market systems infrastructure, Tamkeen's Human Capital Development projects target mainly students, new entrants into the labour market and employees as well as employers.⁹

Talent management program

The program's main objective is to provide support to business owners and existing employees in leadership and HR roles of enterprises by enhancing their competencies in the areas of HR and Leadership. This program targets 1,600 candidates for the workshops, and 800 for the certification both in Arabic and in English. Tamkeen will cover the full cost of the workshops/ certification. Also, employees will be trained on different aspects such as enterprise management, strategic planning, leadership, marketing management, HR management, performance management, training and development, recruitment, salaries and benefits, Bahrain labour law, and quality systems for HR management.¹⁰

Career Progression Program

The Career Progression Program, initially launched in 2007, has provided 12,000 beneficiaries with over BD 18 million so far. The program was launched in line with Tamkeen's initiative to enhance the capabilities of Bahrainis to make them employees of choice in the private sector. The program helps employers address skills gaps of their Bahraini employees by providing them with a set of training opportunities to gain the necessary skills and boost their wages. Depending on the track selected, the program will give beneficiaries professional training that will enable them to receive a minimum wage increase of BD. 50 to their basic salary. The wage

⁸ <http://www.tamkeen.bh/en/pnd/?p=SpecialProjects> [accessed 02 April 2013]

⁹ <http://www.tamkeen.bh/en/pss/?p=HCD> [accessed 02 April 2013]

¹⁰ <http://www.tamkeen.bh/en/hcd/?p=TalentManagement> [accessed 02 April 2013]

increase is subsidised by Tamkeen for a maximum of 2 years.

Tamkeen's Acting Vice President, Human Capital Development, Amal Al-Kooheji, commented on the announcement: 'Since its inception, the Career Progression Program has provided a stepping stone for thousands of employees to develop in their professions and enhance their careers. The decision to put it under our direct management is part of a larger Tamkeen strategy that will put us in a better position to further improve our services as we prepare to develop and expand our programs in the near future. To date, more than 75,000 Bahrainis and enterprises have benefited from Tamkeen's programs, with more than 100,000 beneficiaries set to benefit from these programmes in all.'¹¹

a9eel

a9eel¹² is a nationwide work ethics campaign of the people and for the people of Bahrain, to develop the right approach to work. It is a movement for change towards positive work attitudes and to build a generation of men and women of character who are led by integrity and conviction. The campaign was conceived in the light of a recent survey to assess the level of employees from the perspective of domestic Bahraini companies. This study revealed the need to strengthen work ethics among employees. Issues such as punctuality, proper use of company resources, honesty, sincerity, co-operation with other

employees, showing initiative towards professional growth and having a realistic opinion about one's capabilities were found to be some of the areas among many others that needed to be improved. The objectives of this campaign therefore are to raise awareness about the issue of work attitudes in Bahrain, especially amongst organizations and Bahraini employees.¹³

3. Interviews/focus group findings

For the purposes of this section on Bahrain, opinions of HR professionals was elicited regarding the important dimensions related to HRM in Bahrain. Structured interviews were conducted with 6 HR professionals during March and April 2013. Focus group interviews were conducted with 35 HR practitioners during March 2013. These practitioners were drawn from different industries in Bahrain. The responses of these participants threw light on major areas like HR enablers, role of HR practitioners, challenges in HRM, HR needs/priorities and current state of HRM in Bahrain. The findings are summarized in the following section.

HRM enablers

The general belief that emerged was that HR needs the support of the Board of Directors and CEOs. For HR practitioners to play their role effectively, the major enabler

was top management involvement and a right environment. It was emphasized that HR should be involved in all board and executive meetings, where they contribute in discussing HR related topics in these meetings. The main HR enablers highlighted by the participants were integrity, teamwork and internal customer orientation at all levels. According to the participants these factors would enable them to achieve the organizational strategic objectives. Other strategic roles of HR, as stated by some participants, was espousing ethics within the organization, facilitation between management and the staff, operating as change agents as well as business partners. It was agreed that the HR function is embedded into the business, not isolated from the business strategy and decision making.

Role of HR practitioners

The role of HR managers was perceived as internal consultants whose clients are the line managers. Line managers should in turn work as ambassadors of HR in their departments. It was agreed by the participants that the main role of HR practitioners is in ensuring the quality of performance of staff up to the required standard in order to achieve the strategic objectives of the organization. The HR policies were described as a supporting factor and not something rigid. Some organizations do have room for flexibility and deal on a case by case basis. The general opinion was that HR practitioners should take a lead in creating a comfortable

¹¹ <http://www.tamkeen.bh/en/?p=details&id=880> [accessed 02 April 2013]

¹² In the Arab culture, the word "a9eel" signifies a worth that can only be compared to strong roots and pure gold. It conveys a high level of class in terms of culture and character. Bahrainis are "a9eels" due to their highly cultured and refined temperament.

¹³ <http://www.tamkeen.bh/en/hcd/?p=WorkEthics> [accessed 02 April 2013]

work environment, having open communication channels, and frequent interaction amongst the management and employee groups.

Challenges in HRM

The challenges (people barriers) obstructing the achievement of objectives, as discussed by the participants, are work ethics and employee perceptions. Organizations have groups of employees who don't have the sense of responsibility. They give less and expect more. Underachievers are not very receptive to performance feedback. Other people barriers are absenteeism, having non-qualified staff especially in recruitment teams where they lack the competency to hire the right people for the right job, resistance to change, losing focus at work, pressure on available resources by the management, as they tend to reduce cost and avoid hiring more people, therefore allocating more tasks to the existing employees.

HR knowledge/skills/ attributes

The skills/ attributes which HR practitioners should have, as listed by the participants are: flexibility, being open-minded, to have the ability to understand and to become a role model. The HR team should have a basic knowledge of the business, performance management and culture. HR practitioners should be empowered and ought to have strong knowledge in labour law. Some described the best HR practitioner as one who has a good understanding of the business of the organization, knows what's

going on and makes decisions based on expertise. Meeting deadlines, honouring commitments good listening and problem solving skills are other qualities that HR practitioners must have. HR people should be good team players and be updated in latest HR trends.

4. Role and contribution of HRM practitioners in Bahrain

HRM practitioners in Bahrain have a crucial role to play in achieving the individual, organizational and national objectives. On an individual level, they have to focus on the training and development of Bahrainis, and help in their career growth. Managers need to be good coaches to Bahrainis. By having HR systems in place, and by ensuring the right implementation of these systems, they can increase the motivation level of Bahrainis. Through a planned career progression of Bahrainis, the Bahrainisation level in organizations would increase, thereby contributing to one of the national goals. This would be in line with the Human Capital Development initiative undertaken by Tamkeen.

HRM practitioners main role in Bahrain is to educate the employee groups with regard to productivity, performance linked rewards, work ethics, scientific HR mechanisms. The a9eel campaign is an initiative by the government of Bahrain to address this issue on a nationwide scale. The special project Productivity Movement, is also contributing towards this end. Mature and well-informed employee groups

would contribute to the progress of professional HR practice. For corporate Bahrain to move into HR professionalism, HR managers need to be role models and adhere to the ethics. They have to play an advisory role to top management keeping in view employee welfare and organizational goals. The Talent Management program of Tamkeen is aimed at management development in Bahraini organizations.

5. Specific HR priorities/ needs in Bahrain

In general, the HR practice in Bahrain has improved during the last two decades. In the recent past, organizations in Bahrain have recruited professionally qualified HR personnel and/or sponsored their professional HR qualifications. There has been improvement in the HR practice in organizations, though not at the pace it should have been. Organizations in Bahrain need to strengthen their HR mechanisms. Many organizations do not have well established HR systems, especially compensation and performance management system. Well educated and trained HR professionals need to be more persuasive and influence top management to have scientific HR mechanisms in their organizations.

Bahraini employees are highly educated, well aware of their rights and are career oriented. Keeping in line with the employment expectations of these employees, Bahrain Labour Law pertaining to employee rights and responsibilities should be upheld and implemented

fairly. The slant of HR in Bahrain should be towards implementing HR systems fairly and objectively. The need of the day for HRM to progress at the desired pace in Bahrain is to have top management and HR professionals in organizations working ethically and in a non-discriminatory manner.

6. Conclusions and recommendations

It can be concluded that the Government of Bahrain is spearheading the human capital development in the country. The

Economic Vision 2030 for Bahrain is a step in the right direction towards human capital development, economic growth, and overall socio-cultural improvement in Bahrain. It encompasses all facets of life in Bahrain. Injecting Government funds into the training and development of Bahrainis through Tamkeen sponsored programmes like the Productivity Movement, Talent Management, a9eel campaign is a significant contribution to the cause of human capital development. Supporting the salary increase of private sector employees through the Career Progression Programme is

yet another major indicator of the government's commitment to the people of Bahrain.

At the organizational level, it is recommended that HR managers need to be empowered to function in a professional manner. Organizations need to continue with the training of HR practitioners in HR professional qualifications as there is a need for more qualified HR professionals in small and medium enterprises in Bahrain. Organizations in Bahrain should work towards employee satisfaction and employee rights.

Current Status on HR development in Saudi Arabia

18 April 2013 By: Nada H. Al-Hamad Lecturer, College of Business Administration King Saud University Riyadh, Saudi Arabia

Background

In Saudi Arabia, HR development needs to be reviewed from two perspectives: demographic and legal.

Demographically, the population of the country was 7 million in 1974 out of which 800,000 were expatriates. In 1992, the number reached 17 million with 5 million being expatriates. However, in 2004, the population escalated to 22 million of which 6 million were expatriates. In 2012, the population reached 29.1 million out of which 9.3 million represented expatriates.

Legally, there is a division in HR-related issues and organizations. This division results from the different legal and organizational structures that apply to the public and private sectors in Saudi Arabia.

Those who work in the public sector are governed by the Civil Service Law and Regulations, administered by the Ministry of Civil Service. In addition, they are covered by the Civil Retirement Law, administered by the Public Pension Agency. As far as training is concerned, government organizations prefer to send their employees to the Saudi universities and the Institute of Public Administration (IPA).

On the other hand, those who work in the private sector are governed by the Labor Law and

Regulations, administered by the Ministry of Labor (MOL). In terms of retirement coverage, Saudi private employees are covered by the Social Insurance Law, administered by the General Organization for Social Insurance (GOSI). Private organizations have no certain restrictions or preference towards training providers.

HR development in the Saudi public sector

In 2006, the Ministry of Higher Education (MOHE) launched the King Abdullah Scholarship program. It was the biggest educational program to date. The first term ran from 2006 to 2011 and was approved to extend for an additional five years until 2016.

So far, over 47,000 Saudi students have graduated from western universities. Furthermore, there are over 180,000 young Saudis studying overseas, of which over 60,000 are in the United States.

Academic majors, such as medicine, technology, engineering and business, are selected on the needs of ministries, public organizations, national corporations and private employers.

Dr. Khalid Al Angari, the Minister for Higher Education has recently stated that the scholarship program is one of the many plans

to improve the Saudi Arabian Education system and had recorded only a 2% failure rate out of all students sent overseas in the past eight years.

HR development in the Saudi private sector

In September 2011, MOL has introduced Nitaqat (Ranges), a program intended to boost nationalization of jobs in the private sector. The program is considered as one of the quick wins of the new Saudi Minister of Labor, Mr. Adel Fakeih, appointed in October 2010.

In addition to Nitaqat, MOL has introduced "Hafiz" (Incentive), a program that offers unemployment benefits up to 12 months (SR 2000 = USD 533 per month), and "Taqat" (Powers), a program that matches between the supply and demand in the labor market. This attempts to match the job-seekers whose profiles are held in Hafiz and the employers whose vacancies are posted in Taqat.

However, Nitaqat evaluates private employers on their nationalization performance whereas previous nationalization programs - known as "Saudization" - required all employers, regardless of their size or industry, to meet a standard requirement of 30 percent Saudis in their workforce.

According to the MOL, Nitaqat is more dynamic, and it derives its nationalization quotas from the actual performance of private employers depending on their industries and sizes. MOL has divided the Saudi labor market into 41 industries and has classified employers into five sizes, subject to their manpower, from micro (less than 10 employees) to giant employers (3000+ employees). The result is 205 different nationalization quotas for employers (41 industries x 5 sizes).

Based on the size of employer and the industry, Nitaqat program has developed nationalization requirements (percentages) and employers are classified into four performance categories:

- **Excellent:** employers exceeding the required Saudization percentage by hiring more Saudi personnel than legally required.
- **Green:** employers meeting the required nationalization percentage.
- **Yellow:** employers achieving below average nationalization percentage.
- **Red:** employers not achieving the required nationalization percentage.

Subject to their category, employers will either receive incentives, in the form of services and facilities, or be subject to freezing some of the MOL services and face other punitive measures.

To assist employers in training and hiring young Saudis, the Saudi government has established the

Human Resources Development Fund (HRDF) in July 2000, supervised by MOL. The fund is financing private employers to train and hire more young Saudi people.

Challenges facing HR developments in Saudi Arabia

- **Quality of education:** Saudi education has been criticized for its quality. Outcomes were not matching the needs of the national labor market.
- **No match between qualifications and labor market needs:** Some Saudi job-seekers may have qualifications that do not match with the need of the labor market, and some of them lack good English knowledge and the required technical background.
- **Job security and job satisfaction:** A large number of Saudis find more job security in the public sector but do not get job satisfaction. In contrast, Saudi employees feel that the private sector gives them more job satisfaction but less job security. One of the reasons to explain this case is having two different service laws: Civil Service Law (for public employees) Labor Law (for private employees).
- **The perceived social stigma:** Some young Saudis with high school diploma or less are reluctant to accept blue-collar jobs (such as truck drivers, plumbers, carpenters, etc.) to avoid offensive comments by their communities. They may continue looking for clerical jobs or even stay at home but will not

accept any blue-collar job that may be offered to them.

- **Services:** Legally, it is more difficult to terminate the services of Saudi workers than foreign workers.
- **Mobility:** Saudi workers are less mobile than foreign workers.

Opportunities for HR developments in Saudi Arabia

- **Employment-ended training:** Most young Saudis find such programs attractive. They are provided with training opportunities by their private employers and then at the end of the program they get employed.
- **Teaching English:** Although some Saudi universities have changed their business curricula to be taught in English, there is an urgent need to provide those students, who studied business in Arabic, with intensive English courses.
- **E-learning:** There is a great need to provide e-learning solutions in the Saudi labor market. However, such solutions need to be customized to meet the cultural needs.
- **Soft-skills (interpersonal skills) training:** due to the fact that such skills were not taught at schools, there is a trend to provide Saudis who enter the workforce such skills, especially women who are encouraged to work in Call Centers and now in the retail industry despite the resistance that they face from some social segments.

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