The time to change is now

Enhancing HR service delivery across the Middle East

Human Resource functions in companies across the Middle East have reached a point of no return. The pressure to change has become too great for HR and business leaders to neglect.

Enhancing HR service delivery is a hot topic across the region. However, despite attempts by some HR functions to transform, many functions across the region are still administrative "dumping grounds," where people who are not good enough for other parts of the business are employed, or where services no one knows where to put are placed.

Globally, HR is today increasingly driven by technology: "HR anytime, anywhere" is no longer a desired state, it is a reality.

Most business leaders across the region know exactly what their "People Issues" are, but they have little trust in, or understanding of how, their HR function can help them solve their problems. As a result, expectations of what HR could or should deliver are limited.

Many companies in the Middle East have no choice but to change the way HR services are being delivered, unless they have already started doing so.

Evidence from global and regional surveys run by Deloitte combined with intelligence collected when working with our clients point in the same direction:
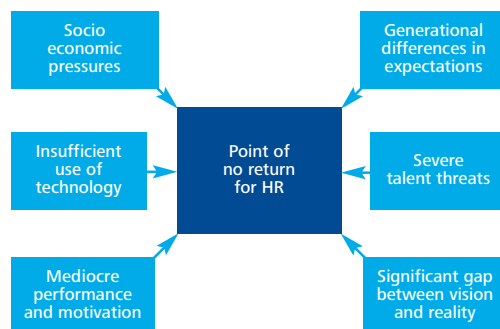
Companies that do not tackle these challenges face the threat of failure. HR is at a point of no return: either it transforms itself to be able to help their organizations tackle these challenges, or they will soon find themselves redundant as their businesses outsource these services.

Socio economic pressure
Public sector organizations' and National Oil Companies' links to the government have significant impact on how businesses are run and what services HR provides. Companies are often being slowed down by bureaucratic and "old fashioned" ways of working, making it difficult to operate effectively or compete in today's market. In addition, both public and private companies have social responsibilities to develop and employ nationals in lieu of expatriate workers. However, there is a significant gap in local talent supply and demand, leaving many organizations unable to fill open positions or being forced to employ people who are not fit for the job.

Generational differences in expectations
There are huge differences in expectations and motivational drivers between the X, Y and "Baby Boom" generations. The "Baby Boomers" and to some degree some Generation "Xers" (from across the region) are used to bureaucratic, manual and often paper-based ways of working, whereas Generation Y is used to iPhones, instant messaging, Twitter and Facebook. A constantly connected generation confused and frustrated by 'old fashioned ways of working.' Few companies today are catering for these differences.

Severe talent threats
The 'reverse demographic time bomb' faced across several of the GCC countries with huge pools of potential Generation Y employees soon to enter the workforce, an extreme shortage of talent across all industries, combined with stringent and often unrealistic nationalization targets and not enough government and industry spending on educational collaboration programs, are putting severe pressure on businesses today. Very few HR functions are capable of handling these issues today.

Significant gap between vision and reality
"Innovation, high-performance, and excellence" are words that feature in many companies' vision

statements across the region. However, there is currently an enormous gap between vision and reality in most companies, mainly due to the fact that neither current organizational cultures, nor senior and line manager capability, nor existing HR policies and practices are set up, mandated or skilled enough to reach this vision.

Mediocre performance and motivation

Lack of performance and motivation are often highlighted as key challenges by senior executives interviewed. This is mainly driven by an unclear understanding of roles and career paths, limited performance management activity and relatively low transparency as to how pay and promotion decisions are made. Promotions are often seen as a given, based on number of years served or 'Wasta'[i]. All of this has led to motivational issues negatively impacting organizational success.

Insufficient use of technology

Globally, HR is today increasingly driven by technology: "HR anytime, anywhere" is no longer a desired state, it is a reality. However, many companies in the Middle East are still being managed and run through paper-based processes and multiple approval levels for seemingly small issues, creating painstakingly slow and inefficient processes. This is often driven by lack of trust and limited devolvement of authority, which has resulted in many senior executives spending their days signing and stamping papers rather than leading their businesses.

Past, current and future HR

HR functions across the region can (broadly) be categorized into three segments:

- There is no HR function and limited formal HR policies or programs.
- Established HR function delivering basic and administrative HR services.
- HR functions that are part of a global service delivery model with well-established HRBPs, Centers of Expertise, Self and Shared Services .
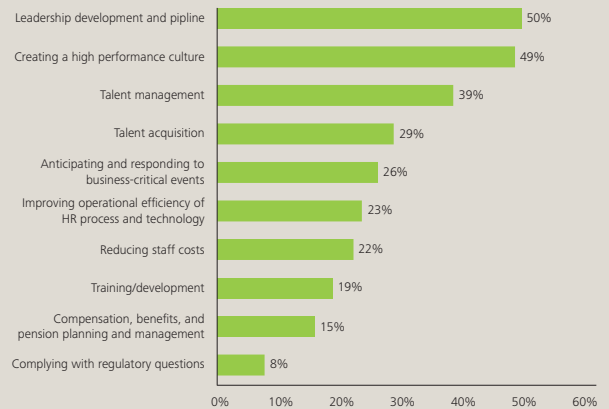
Some of these functions have started to make strides towards changing the way they operate, but the change is slow and is often blocked by lack of skills to make the changes happen.

(i) Wasta can be loosely translated as obtaining favors because of who one knows rather than what one merits.

A global survey conducted by Deloitte shows that to help an organization thrive, HR must focus more time and effort on strategic people activities:
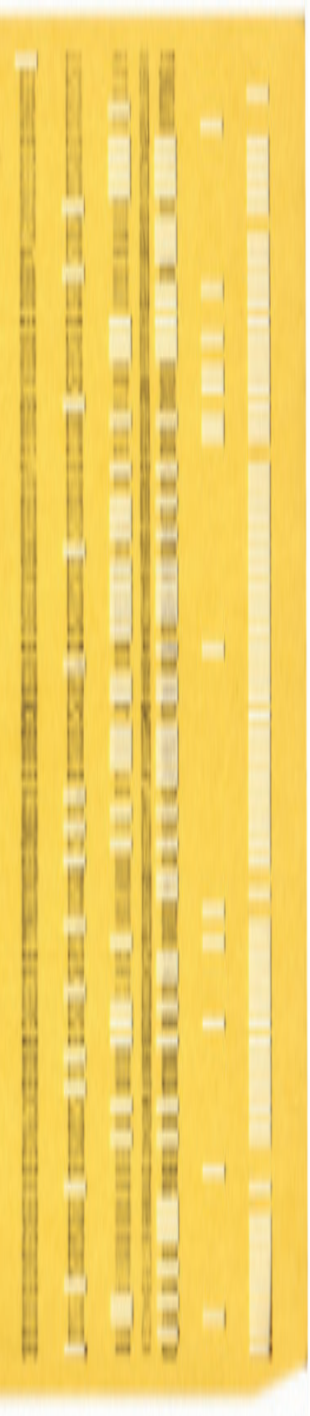
- Leadership development and pipeline – building the next generation of leaders.
- High performance culture – creating a workforce that is pre-wired for high performance.
- Talent management – attracting, developing, and retaining the talent an organization needs to thrive.
- Talent acquisition – recruiting and hiring people with the right skills and capabilities.
- Anticipating and responding to mission-critical events – proactively addressing strategic challenges, instead of reacting after the fact.

Which of the following issues present the most important challenges to the performance of your organization?

Challenge	%
Leadership development and pipline	50%
Creating a high performance culture	49%
Talent management	39%
Talent acquisition	29%
Anticipating and responding to business-critical events	26%
Improving operational efficiency of HR process and technology	23%
Reducing staff costs	22%
Training/development	19%
Compensation, benefits, and pension planning and management	15%
Complying with regulatory questions	8%

These challenges also correspond with what we found in a survey conducted across the Middle East prior to the ASHRM Conference held in Bahrain in March 2010 where leadership development, retention, talent management, productivity, motivation and adapting to new ways of working were seen as key issues to be tackled by HR.

These challenges have a tremendous impact on an organization's overall performance. However, few HR functions are equipped to deliver on this today.
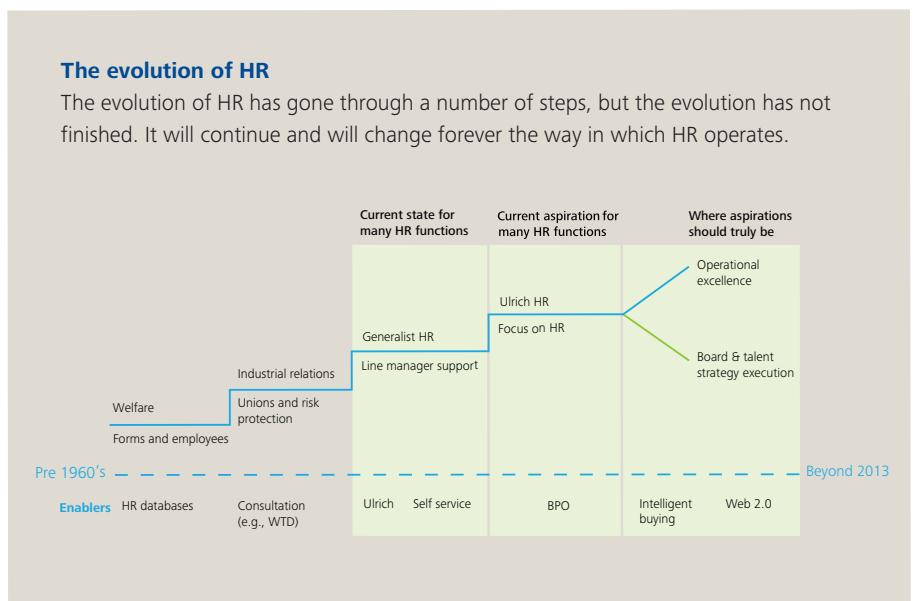
HR functions across the world have been looking at how to better deliver services to their organizations for over a decade. The drivers for this change were primarily cost reduction through shared service centers, outsourcing, introduction of self-service, streamlined HR processes and technology. Other drivers were increased requirements to manage people globally and a shift from administration to strategy, mainly through the introduction of "Centers of Expertise" and "HR Business Partners".

Whilst many of the people-related challenges are shared by companies in the Middle East and the rest of the world alike, the drivers behind Middle East HR functions' need to change are often different:

• An urgent requirement to help solving the business issues as outlined above.
• An aspiration to become on par with "best practice" and a "strategic business partner."
• (Historically) less pressure to increase efficiency through cost reduction.
• A social and economic agenda to develop and employ a national workforce.

The evolution of HR
The evolution of HR has gone through a number of steps, but the evolution has not finished. It will continue and will change forever the way in which HR operates.

The ultimate goal is the same as for the "early adopters": HR wants to become "Strategic" and a "Business Partner" to the leaders of their organizations. Ironically, few business leaders believe their HR colleagues truly understand their business, challenges and priorities. Not a great foundation for becoming more strategic.

We have all heard about the "Ulrich Model" driving the initial change and most companies outside of the Middle East have introduced one version or another of this model. However, the transition from "administrative" to "strategic" did not come easy – and very few companies have succeeded in achieving their desired goals. Most companies learned a few lessons the hard way, such as:

- Over reliance on self-service to take away administrative work from HR.
- Failing shared service centers.
- Not enough focus on HR capability development.
- Lack of line manager willingness or capability to take on "people" responsibilities.

Many companies are now looking at how to, yet again, deliver HR in a very different way realizing that traditional HR focus areas such as improving HR operational efficiency, reducing staff costs and training/development are now table stakes: they must be done well, but do not provide a competitive advantage.

HR as we know it will be gone forever within 10 years
HR will most likely diverge into two distinct and very different groups:

- One focused on operational delivery.
- Another focused on fulfilling the board and talent strategy.

Some HR functions will never get to look beyond operational delivery losing ground to an impatient business, eager to keep hold of talent and maintain control of the talent agenda. For a few, even operational delivery will be surrendered to outsource providers and offshore delivery centers. So what will be left for HR? In more evolved companies, HR will focus on delivering business transformation and talent, in others there will be little more than Employee Relations left for them to manage as group operations and business lines take control of the rest.

In summary we see HR evolving along three themes:

Themes	Predictions
Operational Excellence is not enough	• Multi vendor outsourcing is here to stay • Increased consolidation of shared services across functions • Tailored service delivery to the workforce segment
Talent-it's a business thing	• CHRO to CCO • Full business ownership of business partners • HR will own business value programmes
Anywhere anytime HR	• HR gets personal • Virtual HR becomes a reality • Talent systems not ERPs

Whilst some companies across the region have made attempts to improve HR service delivery, many are still a long way from this predicted future state, mainly due to a lack of skilled HR professionals. However, there is now an opportunity to reset targets and aim for future "Innovative HR Practices" instead of "Best" or "Leading" practices which will be out of date in the next few years.

Learning #1 for HR functions across the Middle East: Innovative HR, not Best Practice HR
Don't aspire towards "Best Practices" aspire towards "Innovative HR Practices". Jump ahead, learn from early mistakes and join the current journey of the 'early adopters.' Realize and plan for anticipated barriers and limitations. Be one step ahead, but do this with realistic timeframes in mind. Determine what you need to do to reach the "Innovative HR" state, whilst at the same time establishing the foundation for achieving operational efficiency, unless you have already done so.

Learning #2 for HR functions across the Middle East: Realize it is about Organization Transformation, not just HR Transformation
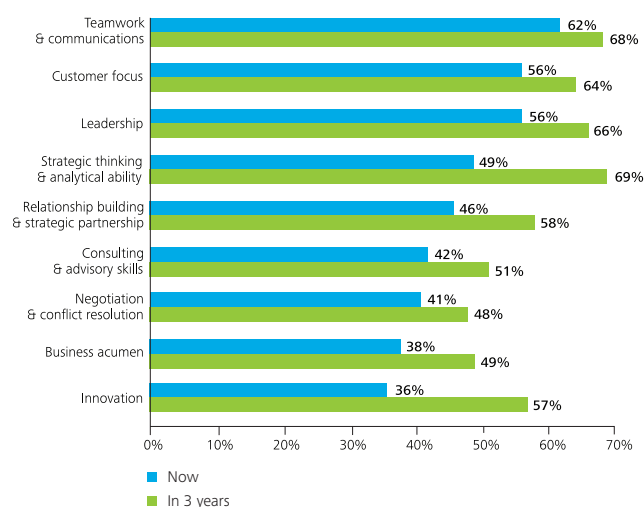
Appreciate the organizational and cultural changes required. Transforming HR to the desired state requires organizational and cultural transformation too. In this context – transforming HR is easy – it is the organization transformation that will be the difficult task. Significant organization change will be required: devolvement of authority, increased performance focus, and a move towards more technology driven organizations. This is a Catch-22 situation. HR will need to drive this change, but few are capable of doing this today. This leads us to Learning # 3.

Learning #3 for HR functions across the Middle East: Build HR Capability for the future, do not try to fix yesterday's HR

To fulfill its expanding role, the HR function must develop new capabilities that are fit for "Innovative HR" practices. If HR can successfully address its own talent challenges, it will be in a much stronger position to help its organization tackle its challenges.

However, few companies are focusing enough attention on HR capability development. In addition, the HR capability building required is fundamentally different to what the market is currently offering. Most HR development programs are still focusing on what HR professionals need to know today, or needed 10 years ago. If you are developing the HR function of the future you need to develop the people of the future. HR professional will need skills around customer focus, teamwork, communication, relationship building, strategic partnership, consulting and advisory, negotiation, conflict resolution, leadership, strategic thinking, analytical ability, business acumen and innovation.

Importance of the following specific HR competencies now vs. three years from now (respondents selected "essential")

Competency	Now	In 3 years
Teamwork & communications	62%	68%
Customer focus	56%	64%
Leadership	56%	66%
Strategic thinking & analytical ability	49%	69%
Relationship building & strategic partnership	46%	58%
Consulting & advisory skills	42%	51%
Negotiation & conflict resolution	41%	48%
Business acumen	38%	49%
Innovation	36%	57%

Learning #4 for HR functions across the Middle East: HR Technology for HR Anytime, Anywhere

An enormous technological shift will be required to move from today's ways of working to the future web 2.0 solutions leading organizations are now looking at. Following the high level of acceptance of tools such as Google and Wikipedia and how these tools have enabled users to satisfy their information needs when (and where) they need to, HR is now starting to embrace this same idea by making its knowledge base accessible to the rest of the organization.

Web 2.0 tools are being used to foster connections among employees and external audiences (such as customers, alumni, vendors and partners) and to leverage internal knowledge and expertise.

Improvements in processing power, connectivity and the move towards miniaturization have seen an explosion in the impact of mobile computing. People are increasingly being able to satisfy their information needs regardless of their location. Given the highly mobile nature of today's workforce, this approach helps access the right talent, wherever they may be in the world, and reduces operational expenses.

There is now an opportunity to reset targets and aim for future "Innovative HR Practices" instead of "Best" or "Leading" practices which will be out of date in the next few years.

Learning #5 for HR functions across the Middle East: Focus on HR Leadership & Talent

The HR Director role is changing. In addition to the renewed focus on leadership and board effectiveness, talent management, cultural change and employee engagement, HR Directors must learn how to plan and design a successful transformation beyond their own function and execute against it. Today's CHRO is increasingly required to act as both strategist and steward. To be a CHRO, you have to be a business person first and an HR executive second. The role of Chief Consulting Officer is emerging and HR will be well placed to fill this role if they can demonstrate the change, project management, organizational design and consultative skills required. Back to Learning #3.

The Business Partner (BP) role will hold more accountability and gain increased visibility in business operations. This means that business will take over accountability from BP (e.g. budgets, numbers of roles etc.); the role of BP will become a key Talent Development role for organizations, a stopping point for future executives. BPs will cease to represent just HR and could represent multiple back office functions leveraging a core set of skills. Again, back to Learning #3.

Conclusion a catch-22 situation that can be resolved

For HR to truly change and be able to solve the business issues of today and in the future, not only HR, but also cultural and organizational transformations are required. The aspiration should not be "best or leading practices" used by other companies across the world. They did not always work and many companies are now moving on from that. Instead, HR functions in the Middle East need to aspire to create "Innovative HR Practices" that are fit for the region. A focus on Talent, HR Technology and HR Capability development will be fundamental to the success of the required "tipping point" that will enable HR functions to finally solve the critical business issues of today and the future.

by **Linda Jarnhamn**, senior manager, Consulting, ME HR Transformation lead, Deloitte in the Middle East

Sources

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