

2016 Middle East Human Capital Trends

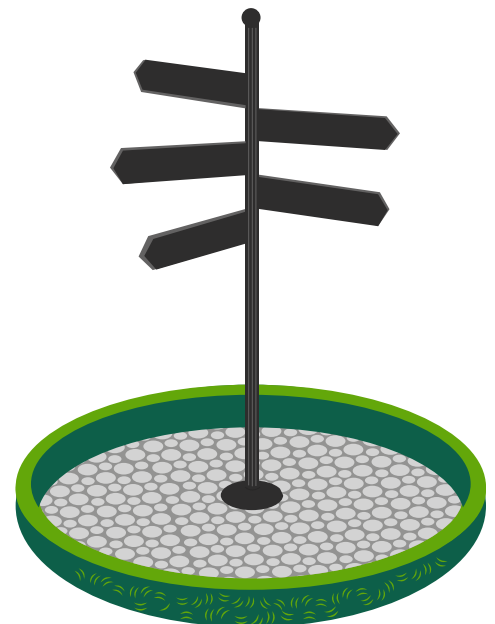
The new organization:

Different by design



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2016 Middle East Human Capital Trends



I am pleased to share with you the key findings from Deloitte's 2016 Global Human Capital Trends survey. Over 7,000 Human Resources (HR) and non-HR leaders around the world participated in Deloitte's Global Human Capital Trends survey in 2016 compared to 3,000 in 2015; more than 100 of the respondents were from the Middle East. The Middle East Human Capital Trends report, which is a companion to the Global human capital report, summarizes the top 10 human capital trends of the Middle East and presents solutions to address these trends.

2016 is a year of change, disruption and urgency in the Middle East and particularly in the GCC countries. This is mainly due to the increased focus on nationalization, the further pressure on budgets and the rise of excellence and efficiency. Additionally, there are market drivers that impact organizations and shape the way they operate. Those are the rise of the digital world, the changing demographics and the increased focus on the employee and candidate experience. Therefore, in order to cope with the changing dynamics of the environment, business leaders are urged to revisit their organization's design as well as the perception they have of HR. In fact, HR should play a business partner role helping organizations to address human capital trends and enabling them to meet their strategic objectives.

Although several trends are seen as important to organizations, organizational design has emerged as the most important human capital trend globally and in the Middle East. This priority trend came along with two top others which are leadership and learning. Those will be discussed in details, qualitatively and quantitatively in the report.

Finally, in order to address these trends, several next steps are suggested for organizations to act rapidly drawing upon Deloitte's tools, methods and good practices.

We hope you will find the Middle East report interesting, insightful and beneficial to your organization. I also encourage you to read the full Global Human Capital Trends 2016 for further details on the survey and additional global information.

Ghassan Turqieh
Middle East Human Capital Leader

Global Human Capital Trends 2016

Our survey of 7,000 HR and business leaders globally examined 10 critical trends shaping the human capital agenda.



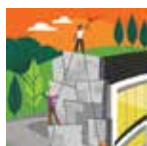
Organizational design: The rise of teams

Hierarchical organizational models are not just being turned upside down—they are being deconstructed from the inside out. Businesses are reinventing themselves to operate as networks of teams to keep pace with the challenges of a fluid, unpredictable world.



Workforce management: Distraction or disruption?

Corporate learning departments are changing from education providers to content curators and experience facilitators, developing innovative platforms that turn employee learning and development into a self-driven pursuit.



Leadership: Generations, teams, science

Leaders of all ages, genders, and cultures are now poised to take the reins at organizations around the world. How ready will these future business leaders be to take charge in an increasingly complex global marketplace?



Design thinking: Crafting the employee experience

Design thinking takes aim at the heart of unnecessary workplace complexity by putting the employee experience first—helping to improve productivity by designing solutions that are at once compelling, enjoyable and simple.



Culture: Shape culture, drive strategy

The impact of culture on business is hard to overstate: 82 percent of respondents to the 2016 Global Human Capital Trends survey believe that culture is a potential competitive advantage. Today, new tools can help leaders measure and manage culture towards alignment with business goals.



Changing skills of HR: Growing momentum toward a new mandate

Good news: This year's Global Human Capital Trends survey shows an improvement in the HR organization's skills, business alignment, and ability to innovate. But as companies change the way they are organized, they must embrace the changing role of HR as well.



Engagement: Always on

Employee engagement and retention today means understanding an empowered workforce's desire for flexibility, creativity, and purpose. Under the evolving social contract between employer and employee, workers become "volunteers" to be re-engaged and re-recruited each day.



HR analytics: Gaining speed

The use of analytics in HR is growing, with organizations aggressively building people analytics teams, buying analytics offerings, and developing analytics solutions. HR now has the chance to demonstrate ROI on its analytics efforts, helping to make the case for further investment.



Learning: Employees take charge

A new world for HR technology and design teams is on the horizon. Mobile and other technologies could allow HR leaders to revolutionize the employee experience through new digital platforms, apps, and ways of delivering HR services.



Digital HR: Revolution, not evolution

How can a business manage talent effectively when many, or even most, of its people are not actually its employees? Networks of people who work without any formal employment agreement—as well as the growing use of machines as talent—are reshaping the talent management equation.

Top trends compared to last year

Figure 1 indicates the difference in the human capital trends ranking in 2016 compared to 2015 by showing whether they have risen or fallen.

Several trends have emerged in 2016 compared to last year's results which are organization design, design thinking and digital HR which indicates a major shift in business leaders' priorities globally and in the Middle East in particular.

Additionally, some of the human capital trends have risen compared to last year. Leadership for example has risen in the overall ranking of the human capital trends in the Middle East indicating that organizations are revisiting their priorities compared to other trends.

Furthermore, several human capital trends, including learning, engagement, culture, the changing skills of HR and HR analytics, have fallen in the ranking compared to 2015. This is mainly due to the emergence of new trends and the increased perceived importance of other human capital trends. In fact, learning, which is last year's number one trend, increased by 7% in the importance rating compared to this year (from 78% in 2015 to 87% in 2016). However, it decreased in the overall rating of the human capital trends. This indicates that although organizations still believe learning is important, they have given more priority to other human capital trends such as organization design and leadership considering market drivers that will be further discussed in the report.

Finally, the capability gap of human capital trends in the Middle East, which indicates the difference between the "readiness" to address a trend and the "importance" of that trend, has slightly decreased compared to last year. For example, the learning capability gap decreased from -38 to -32. The decrease in the overall capability gap could be due to the heavy HR investment in organizations which is helping them to be readier to address the human capital trends in particular and business challenges requiring additional people capabilities, in general.

Figure 1. Top Middle East human capital trends in 2016 compared to 2015

			2015	
1		Organizational design	-	NEW
2		Leadership	3	↑
3		Learning	1	↓
4		Workforce management	5	↑
5		Engagement	4	↓
6		Culture	4	↓
7		Design thinking	-	NEW
8		Digital HR	-	NEW
9		Changing skills of HR	2	↓
10		HR analytics	7	↓

Introduction

The Middle East Human Capital Trends report for 2016 is a companion to Deloitte's annual Global Human Capital Trends report—one of the largest longitudinal studies concerning talent, leadership and HR challenges in the world that is issued annually since 2013.

This year, more than 7,000 HR and non-HR leaders around the world have participated in Deloitte's surveys and interviews, of which 101 were from the Middle East. Most business and HR leaders recognize the prominence of human capital challenges in the Middle East. However, organizations have been struggling to drive employee engagement and retention, improve leadership, understand and cater for the requirements of their changing and diverse workforce, and measure the effectiveness of their learning programs. Accordingly, executives see a need to redesign the organization. The “new organization” is built around highly empowered teams, driven by a new model of management, and led by a new breed of younger nationals and diverse leaders.

Ten key human capital trends shaped the global report. The main observation is that their relative importance is not the same for the Middle East. This is logical for an emerging market striving for change, struggling with socio-economic and political challenges, and leveraging various forms of wealth. The region's report covers the Middle East, particularly the GCC countries with the United Arab Emirates (UAE) as the highest contributor to the report.

The richness of this report does not solely stem from the geographic spread of respondents, but also from the following characteristics:

- 59% of respondents to interviews and surveys are HR executives from the Middle East and 41% are non-HR executives.
- Industries and sectors cover a wide range, with financial services the most represented (20% of respondents). Other industries and sectors covered include:
 - Public sector
 - Consumer business
 - Energy and resources
 - Manufacturing
 - Life sciences and healthcare
 - Technology, telecommunications and media



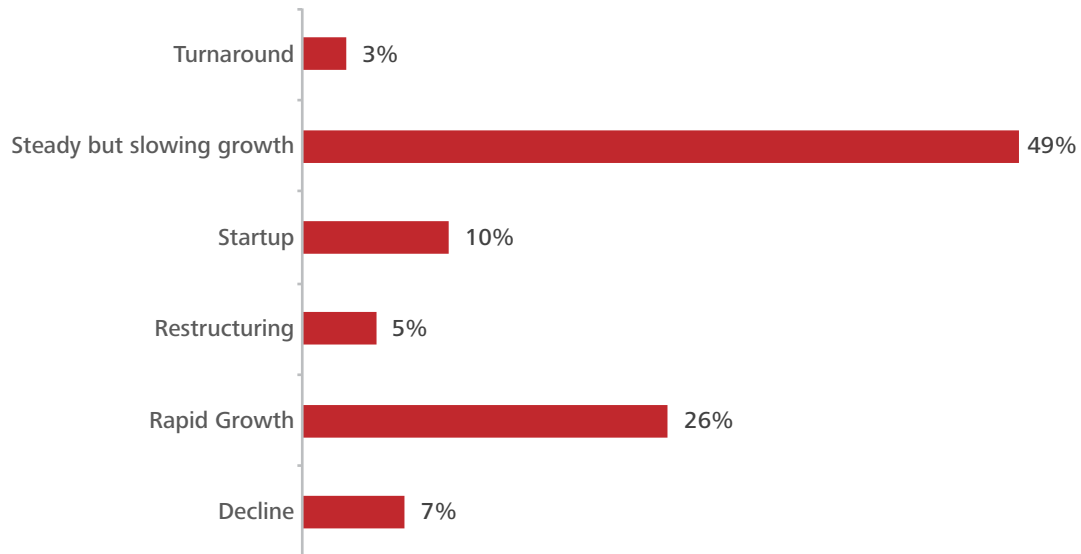
This year's 10 major human capital trends globally, for the Middle East and for the UAE have been ordered as follows:

Figure 2. 10 Major human capital trends globally, in the Middle East and in the UAE

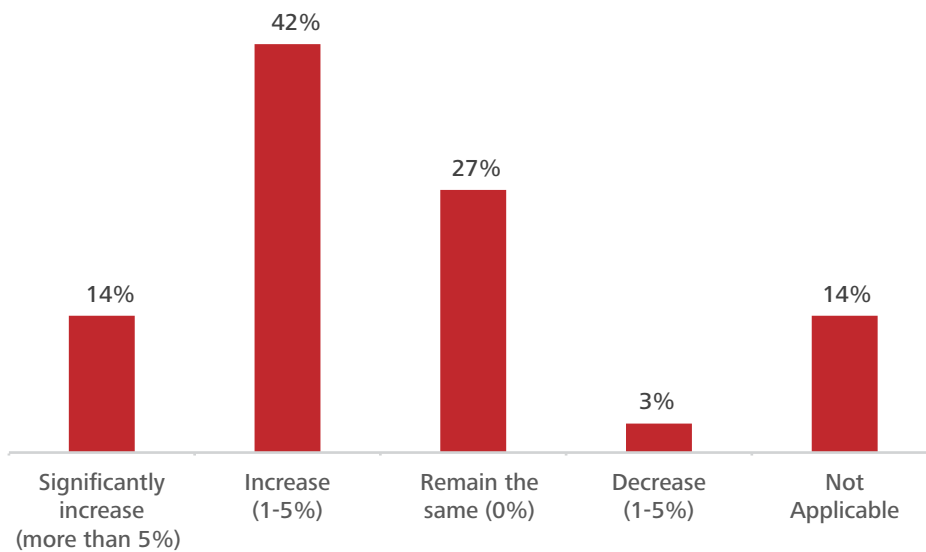
Global ranking		Middle East ranking		UAE ranking	
1.	Leadership	1.	Organizational design	1.	Leadership
2.	Organizational design	2.	Leadership	2.	Learning
3.	Culture	3.	Learning	3.	Organizational design
4.	Engagement	4.	Workforce management	4.	Workforce management
5.	Learning	5.	Engagement	5.	Culture
6.	Design thinking	6.	Culture	6.	Design thinking
7.	Workforce management	7.	Design thinking	7.	Changing skills of HR
8.	Changing skills of HR	8.	Digital HR	8.	Engagement
9.	HR analytics	9.	Changing skills of HR	9.	HR analytics
10.	Digital HR	10.	HR analytics	10.	Digital HR

When understanding this year's Middle East human capital trends, it is of paramount importance to also understand the economic and geopolitical context of the region, and how it has impacted HR and organizations in general. 49% of survey and interview respondents believe that the prevailing trend is a slowing growth of the business cycle and of HR investments.



Figure 3. Upcoming trend of business cycle in the Middle East

This controlled growth translates also in HR investment. Most of the organizations (42%) foresee a 1 to 5% increase in HR investment.

Figure 4. Plans to invest in HR in the next 12 to 18 months

Middle East Human Capital 2016 Trends

i. Organizational design

Organizational design is the number one human capital trend both globally and for the Middle East, as organizations are increasingly striving to become both more agile and customer-oriented. The Deloitte survey shows that 54% of respondents in the Middle East claim to possess good to very good understanding of good practices in organization structure. Those practices consist of tools and methods that help organizations assess the efficiency of their structures and their governance, and their ability to execute corporate strategies. Those practices enable organizations to refresh and update their organization structure to stay aligned with internal and external drivers as well as industry benchmarks.

While organizations globally are decentralizing authority, moving toward product, service and customer-centric organizations, and forming dynamic networks of highly empowered teams, Middle East organizations are working towards an organizational structure that aligns with business needs, as 46% of respondents believe that their current structures are effective or highly effective in achieving business goals. Still many organizations in the Middle East revolve around traditional and functional structures which lack both the flexibility required to adapt to the changing business landscape and the capability to achieve end results effectively.

Figure 5. Company's understanding of best practices in organization structure

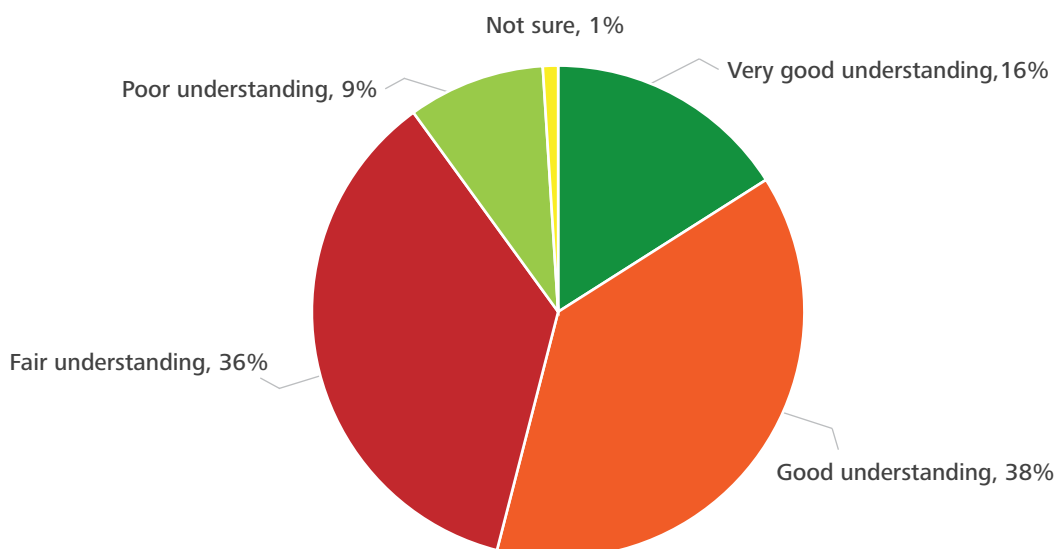
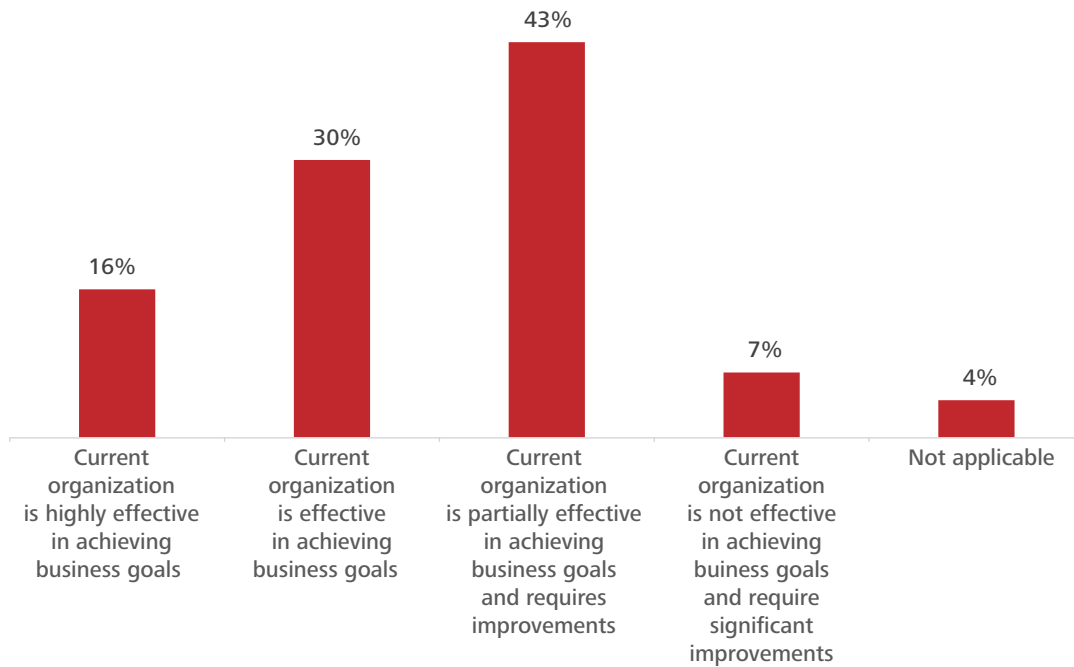


Figure 6. Efficiency in accomplishing its business goals

Currently a number of key drivers are impacting the economy and society in the Middle East, and those same drivers are also creating pressure on organizations to restructure. Approximately 40% of respondents are currently engaged in a restructuring exercise that would help them align further with their strategic direction and the requirements of the market. These key drivers revolve around:

- **Nationalization agenda:**
Middle East governments in general and GCC¹ ones in particular have enforced nationalization requirements on public and private sector organizations.
- **Efficiency and excellence:**
Organizations in the Middle East have launched several innovation and excellence strategies, in addition to government awards that acknowledge and reward organizations that provide efficient and innovative services to their customers.

- **Budget optimization:**

With budget cuts resulting from the drop in oil prices, public sector wages as a percentage of GDP² are unlikely to be sustained at current levels. GCC governments' efforts to optimize their budgets will present challenges to public sector organizations by decreasing their ability to provide jobs for the expanding national population and forcing them to "do more with less." Hence, engaging employees and driving their performance becomes of utmost importance.

In line with global trends, the UAE in particular is expected to soon witness a new style of organization structure known as a "network of teams", and whose usage is likely to increase. Worth noting is that during the latest World Government Summit that took place in Dubai in February 2016, the UAE government took the lead in reshaping its structure to ensure greater flexibility and readiness to face the future. In his interaction with the media,

His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the UAE's Vice President and Prime Minister and Dubai's ruler, announced that "the new government will comprise of less ministries but more ministers handling national, strategic and dynamic files." This means that the government is moving towards more collaboration across ministries that will form "a network of ministries". This shift in the governmental way of working is expected to inspire other organizations and GCC countries within the public and private sectors to follow the lead.

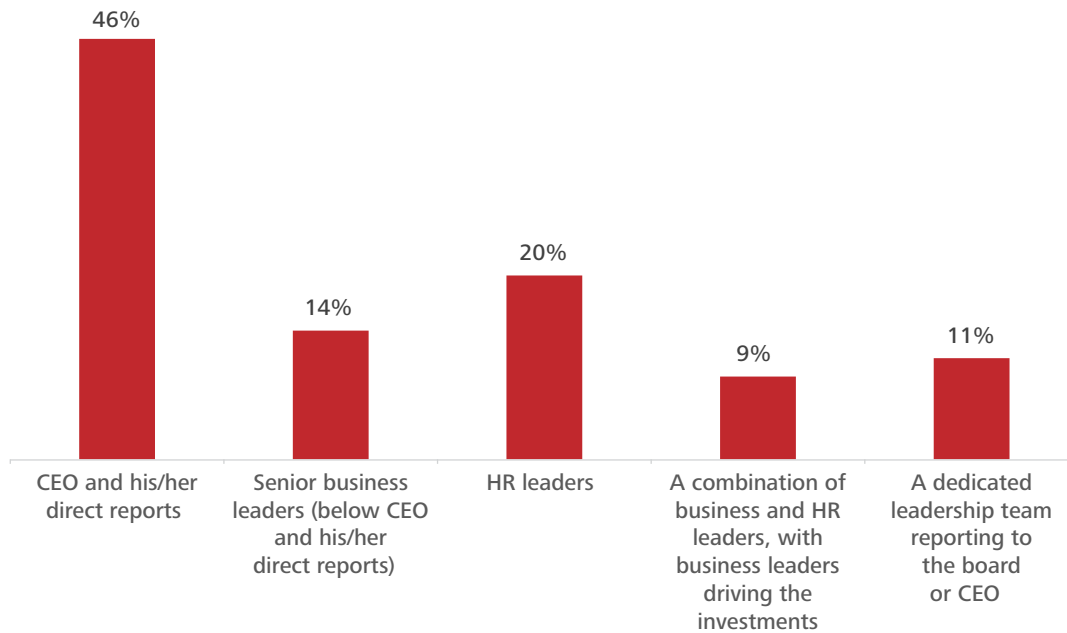
ii. Leadership

Leadership is the key human capital trend that is ranked number two both globally and regionally across the Middle East. This theme continues to top HR and non-HR executives' priorities with the need to strengthen, reengineer, and improve organizational leadership. In the Middle East, there is a pressing need to produce leadership fast enough to keep up with the requirements of the economy and society. Yet, unfortunately, about 50% of respondents in the Middle East have neither formulated nor executed a leadership development strategy. Our findings suggest that organizations in the Middle East need to raise the bar in terms of:

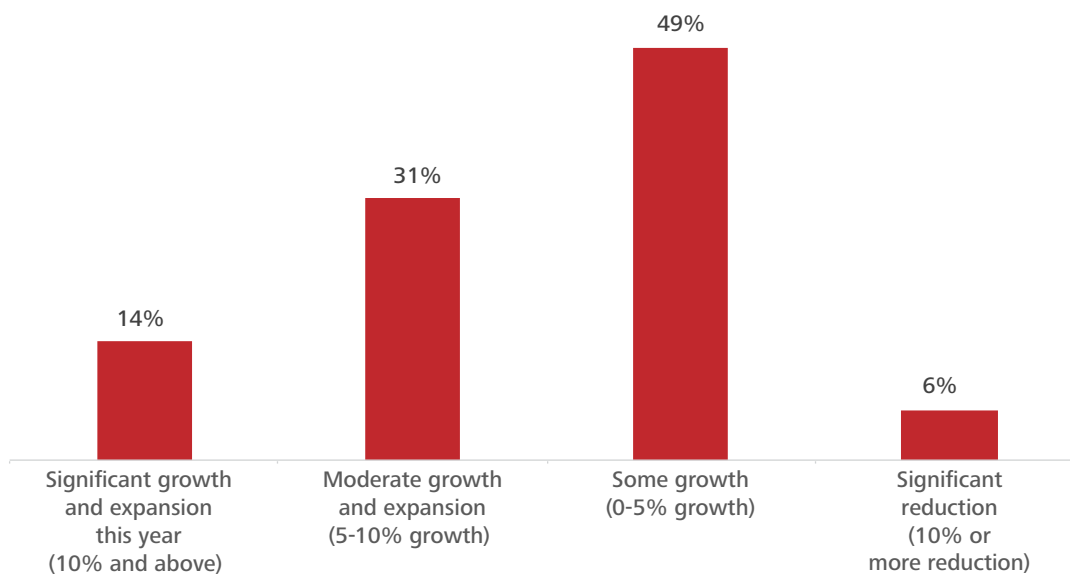
- Scientific approaches to identifying, assessing and developing leaders
- Defining and implementing leadership development strategies that support business goals and HR strategies
- Integrating leadership development as part of succession planning as a generation of owners that has built family businesses is close to retirement
- Focusing on the middle management layer as there is a wide gap between the executive layer and operational layers of the organization in the Middle East



Current Middle East business leaders need to empower younger generations and pave the way for future leaders through leadership development programs, and proper succession tools. Additionally, organizations need to be increasingly aware that leadership development should start early in leaders' careers in order to increase the value of leadership investments. At the moment, most leadership investments involve CEOs and their direct reports only (46% of respondents in the Middle East) rather than including middle management and more junior employees with leadership potential.

Figure 7. Primary drivers for leadership investments

The economic slowdown in the Middle East is expected to have some negative consequences on leadership development. Approximately 80% of respondents do not expect more than 5 to 10% growth in investments in leadership programs for 2016.

Figure 8. Plans for expanding and investing in leadership programs

The Middle East is increasingly aware of inclusion and diversity. Organizations are keen on investing in leaders from different segments of employee groups, with an emphasis on millennials³ and women. Middle East organizations are investing further in nationalization programs as well. Those are crucial in further up-skilling young nationals who are asked to take on large and critical responsibilities in organizations.

With regard to the UAE in particular, organizations need to raise the bar by encouraging and empowering millennials, women and nationals. The UAE government, for example, has announced the formation of a UAE Youth National Council, which will comprise of young men and women who will serve as advisers to the Government on youth issues. The council is led by a female Minister of State for Youth who is no older than 22. This should incentivize other organizations in the semi-governmental and private sectors to invest more in developing women, millennials and nationals and subsequently improve the ratio of investment that is currently mostly dedicated to senior management and C-suite executives and mostly driven by the CEO and

his/her direct reports only (50% of respondents in the UAE).

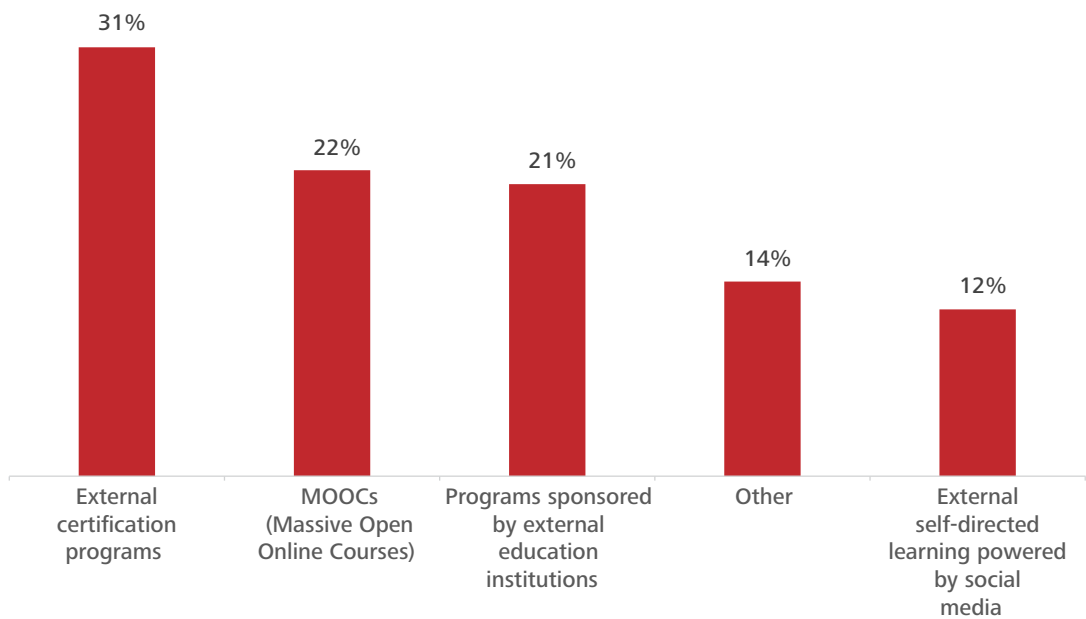
iii. Learning

Learning ranks fifth globally while it ranks third as a top priority in terms of human capital trends in the Middle East. The difference in ranking can be attributed to this being an emerging region with a workforce that is eager to grow and develop.

While most organizations still perceive learning as the way to build competencies and as synonymous with classroom-based training, Deloitte strongly believes that it is part of the employee talent life cycle; a key driver for employee attraction, deployment and engagement through proper blended learning and a strong workplace culture.

Middle East respondents appear to be making strides in adopting new technologies and embracing new learning models. In fact, 22% of respondents are using MOOCs⁴ as non-traditional means to support employee development (compared to 43% globally, 2016).

Figure 9. Non-traditional means to support employee development



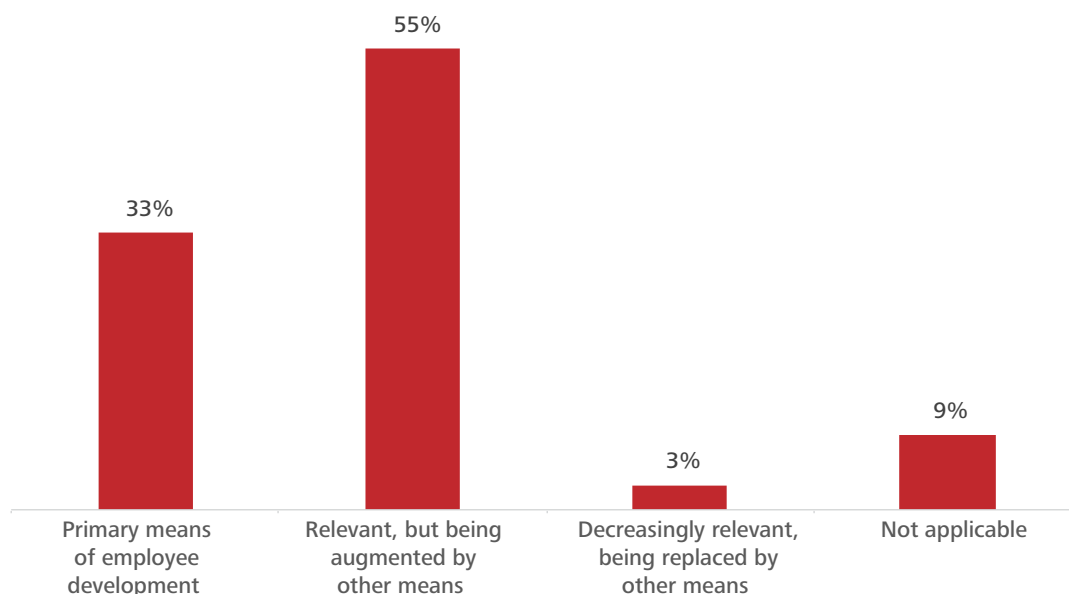
Worth noting is that the UAE stands out with regards to alternative learning solutions, with, 25% of respondents (3% higher than the average of the region) answering that their respective organizations rely on MOOCs. One of the key topics discussed in the UAE World Government Summit was cloud education. Accordingly, there is an increasing understanding of what MOOCs are and how important they can be to enhance the learning experience of employees within organizations.

While the government intends to use this to develop the education sector in the country, if used on a corporate level, it would increase the degree of commitment and engagement of employees.

However, organizations in the Middle East are facing a number of major challenges with regards to learning. These can be summarized by the following key points:

- The effectiveness of learning and development programs.
 - Organizations in the Middle East are still looking for better ways to measure the effectiveness of learning programs. In the survey and interviews conducted in the context of this report, about 66% of respondents did not believe that learning and development programs were being effective.
- The relevance of the corporate learning function in supporting employee development.
 - Learning functions in organizations across the Middle East need to evolve towards an integrated model that offers an end-to-end designed learning experience. At the moment, should the function exist, it is often augmented by other means (55% of respondents).

Figure 10. Relevance of the corporate learning function in supporting employee development



- Budget optimization and spending on learning.
- Organizations are increasingly conscious of the effectiveness of learning and development programs. In the context of the economic downturn, spending on learning is expected to continue to decrease. That being said, organizations in the Middle East are looking for targeted learning opportunities that offer higher value to the business.

To conclude, despite the fact that a number of organizations across the Middle East do have learning and development functions, the practice is not an accurate reflection of the name. Most of the learning and development activities do not address targeted competencies nor are they taken seriously by employees. Organizations should strive to become learning entities by developing a learning strategy that is driven by organizational priorities and integrated with the overall talent strategy. Learning initiatives should be in line with employees' job requirements and areas for improvement, as per performance management results, thus fostering interest and active participation.

iv. Workforce management

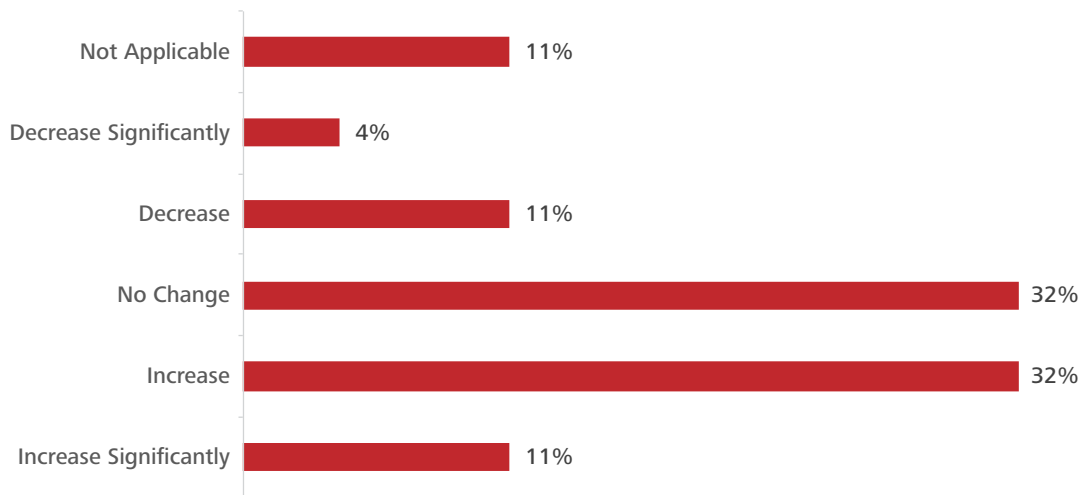
Current economic pressures have driven organizations in the Middle East to think further about the key competencies that they need to develop or acquire going forward. Identifying, quantifying and planning for these key competencies are therefore becoming a key input for an overall talent strategy. This will drive future talent acquisition, development, retention and recognition.

Workforce management is a top priority (ranked fourth in the Middle East) while it is the tenth (least) priority globally. The design of the 21st century workforce will present new challenges to HR, technology and business leaders, and the changing workforce will require deeper levels of collaboration to develop HR solutions. The key questions that international organizations are asking and that are relevant to the Middle East are:

- Who and what will the workforce be composed of?
- How will it be acquired?
- How can its productivity be measured?
- How can the organization optimize the new mix of workers from different sources?
- Given that many segments of a workforce have an impact on products, services and customers, what are the appropriate ways to engage all of those segments?
- Who will lead these efforts?

Businesses in the Middle East are increasingly looking for efficiency and flexibility on how to staff open positions going forward. 43% of Middle East respondents will increasingly rely on the use of contingent, outsourced, contracted and part time employees in 2016 compared to previous years.

Figure 11. Plans for the use of contingent, outsourced, contracted and part-time employees in the upcoming year as compared to past year

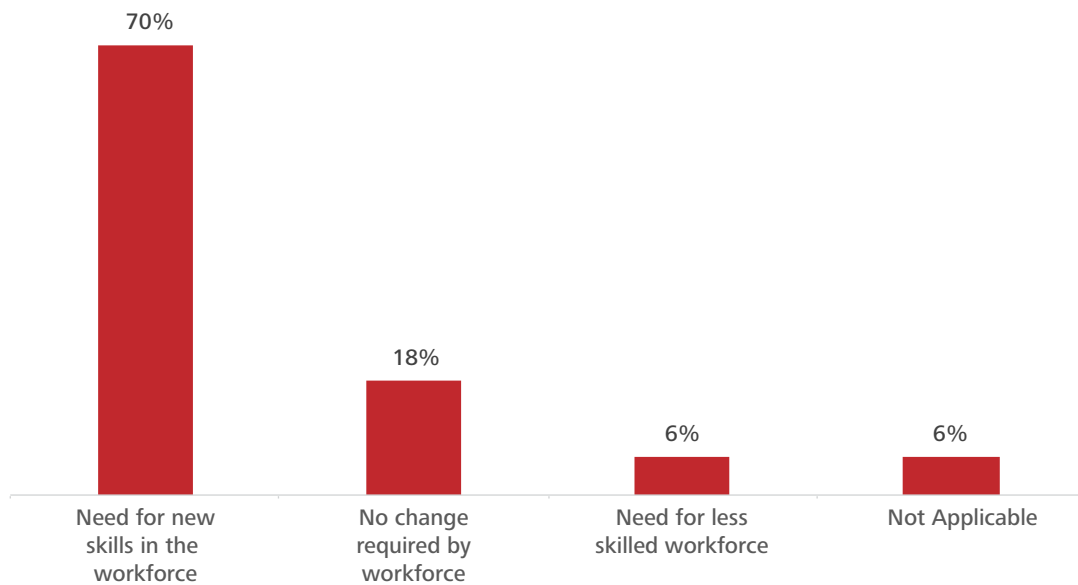


In the latest government restructuring exercise, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE's Vice President and Prime Minister and Dubai's ruler, signaled a plan to outsource most government services to the private sector in the largest structural shape-up in the federal government of the UAE since the country was founded.

A number of Middle East organizations (22%) believe that the automation of jobs or parts of jobs will lead to a decrease in overall staffing levels. It is worth mentioning that automation is on the rise, particularly with

regards to robotics and cognitive technologies, as about 61% of respondents plan to increase their automation efforts in the next one to three years.

The transformation of the workforce also requires building or acquiring new competencies. In fact, the digital age has a direct impact on talent and skills requirements. In the Middle East in particular, 71% of respondents confirmed this trend, which will have a direct and high impact on learning and development, workforce planning, and recruitment.

Figure 12. Impact of automation on talent and skills requirements in the next 1 to 3 years

Organizations in the Middle East generally develop recruitment plans, yet strategic workforce planning is rarely executed. Given the economic management challenges that organizations are facing, it is time to move beyond gut instinct when making workforce decisions. As such, it becomes essential to use a more scientific method of determining workforce requirements. The aim of the strategic workforce planning process is to develop actionable priorities for bridging competency gaps by identifying the required competencies to achieve the organization's strategy, defining critical workforce segments based on positions requiring scarce skills and of high value to the organization, and conducting a competency gap assessment to forecast talent requirements.

v. Engagement

Engagement ranks fifth as a Middle East human capital trend while it sits in fourth position on a global scale.

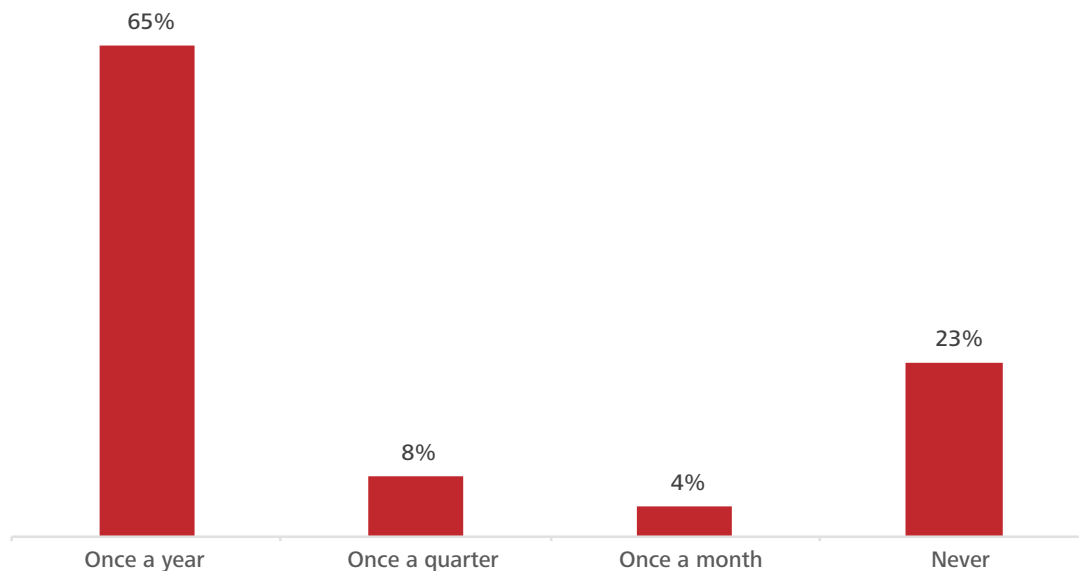
The Middle East is still traditional when it comes to tools and programs to engage and retain employees. This is reflected by the most used engagement tool or program being the annual employee satisfaction survey (29% of respondents) while internationally it is being replaced by "employee listening" tools such as pulse surveys, anonymous social tools, and regular feedback check-ins by line managers.

Based on Deloitte's experience in the Middle East region, organizations are not fully ready to make progress with regards to employee engagement and retention especially that 61% of organizations in the Middle East believe that they have good to excellent engagement and retention programs and only 27% are ready to revisit those to account for changing workforce demographics and preferences. The main challenge of the Middle East region with regards to engagement is the absence of targeted engagement programs for specific employee groups e.g., millennials, nationals, etc., Additionally, there is a weak two-way feedback culture. Engagement surveys are typically run only once a year and across the organization's population without

proper segmentation or in response to the particularities and characteristics of every segment (gender, age, tenure, etc.).

In all cases, HR and non-HR executives—both regionally and internationally—agree that building a compelling and meaningful work environment remains a highly complex process that is increasingly difficult as the changing workforce becomes more diverse and demanding. While HR is trying tirelessly to build programs that engage employees and achieve a work-life balance, top leadership needs to play a more effective role in enforcing and building an “irresistible organization.”

Figure 13. Measurement frequency of company's employee engagement



Globally, three factors stand out as driving the focus on engagement. First, there is intense competition for talented millennials, many of whom are less loyal to organizations than ever before. Second, organizations face a continued need to attract workers with technological and other specialized skills, as every organization digitizes its modus operandi. And third, an organization's employment brand is now

open and transparent, so job candidates can easily see if an organization is a great place to work. The same factors apply to the UAE which introduced governmental excellence awards. Those awards recognize and reward the 'happiest work environments' that reflect employee engagement and 'how employees feel about how things work around' in their organizations.

Organizations certainly do target millennials in their engagement and retention programs, with at least 67% of UAE respondents confirming that they have engagement and retention programs in place that are at least adequate for millennials, if not excellent. However, the figure changes drastically for other employee groups (e.g., baby boomers, women, etc.). This may be the result of implementing standard employee engagement and retention programs and activities that do not account for the different employee segments and population groups within the organization nor look into the particularities of each group.

Organizations are finding some difficulties in truly engaging nationals, particularly in the GCC countries, given that nationalization programs are enforced on both public and private sector organizations.

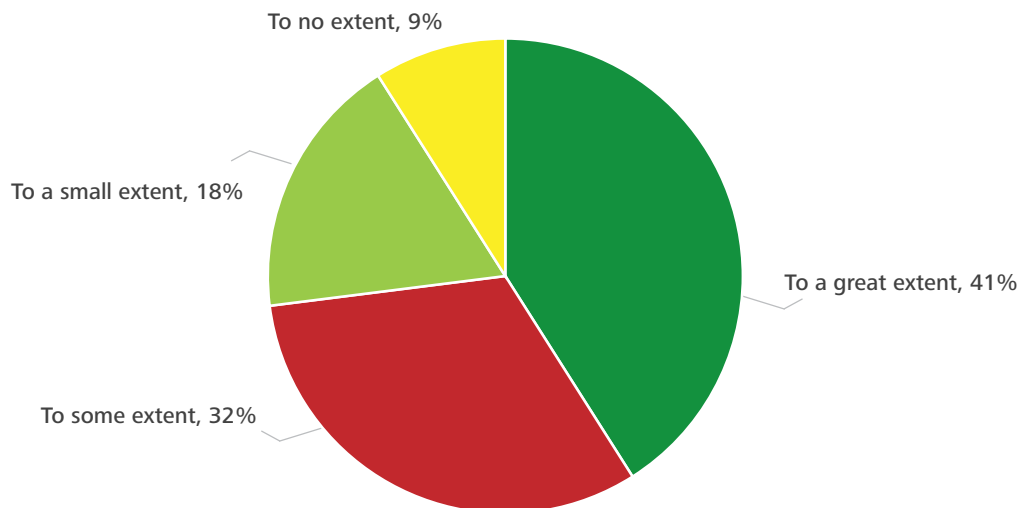
Accordingly, it is interesting to look at engagement through the lens of culture, which ranks immediately after engagement in the Middle East Human Capital Trends report.

vi. Culture

Culture ranks sixth in the Middle East and needs to be looked at jointly with engagement as there are some challenging findings under the latter that can be better understood through the figures relating to culture.

73% believe that leadership sees culture as a potential competitive advantage to some extent or to a great extent.

Figure 14. Extent to which a company's leadership views culture as a potential competitive advantage



While this may be perceived as a good level of awareness of the impact of organizational culture however, little is done on the ground and little correlation is done between engagement and productivity. Only 18% of the respondents in the report's surveys and interviews confirmed that culture is defined, documented, communicated and measured in their respective organizations. This observation is alarming and it raises questions over the results of engagement and how engagement is perceived in the Middle East. Middle East organizations need to be made aware that culture is not purely an HR matter, but also a business matter. Business leaders and executives should take responsibility for an organization's culture, with HR supporting through measurement, process and infrastructure. Organizations are struggling to understand what culture is even though they somehow realize its importance. International best practices have demonstrated that culture can truly determine success or failure during times of change, such as economic downturn, growth, acquisitions, product cycles, etc.,

Significantly, culture ranked number one as a trend for the UAE with a staggering number of organizations (66%) struggling to define and maintain a consistent culture. This variance between the local (UAE) ranking of this trend and its regional and global counterpart can be attributed to the following reasons:

- Given that a vast number of organizations within the UAE revolve around family businesses with a legacy mindset of maintaining end-to-end control on how things happen around the organization,

it has become an evident challenge for executives to be able to retain their employees, let alone be able to attract the right talent.

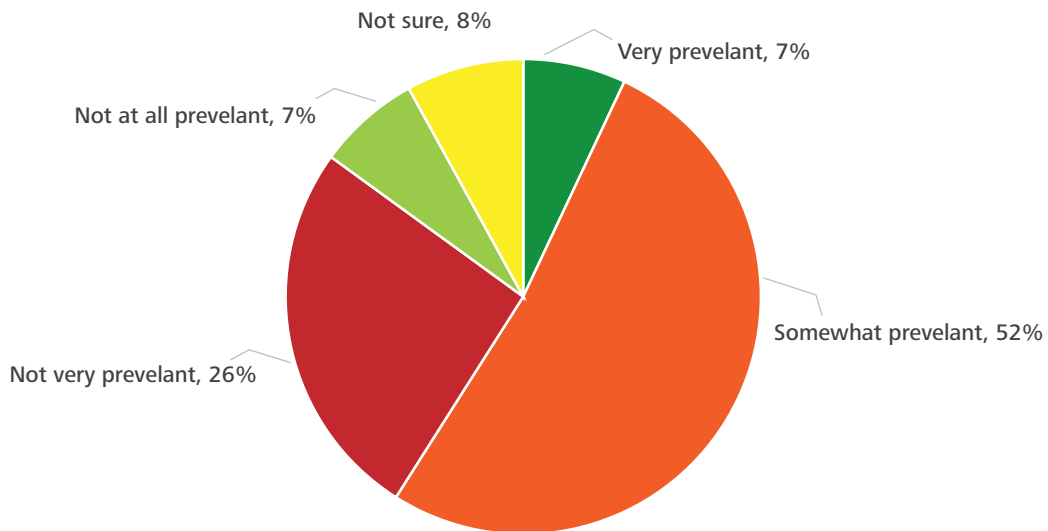
- Operating within an emerging economy and taking into consideration the speed at which news travels, an organization's image, which is largely influenced by its culture, has become a detrimental factor in any organization's ability to attract and retain the right talent.

There are four other human capital trends that constitute lower priorities in the Middle East, yet which require attention to keep up with international trends and practices.

vii. Design thinking

Design thinking consists of providing a means to focus on the employee's personal experience and to create processes centered upon the worker. The result is new solutions and tools that directly contribute to employee satisfaction, productivity and happiness.

In Deloitte surveys and interviews, only 7% of respondents believe that design thinking prevails in HR programs across the Middle East. This constitutes an urge for organizations to upgrade their competencies to incorporate key design thinking concepts, such as mobile application design, user experience design, and behavioral economics.

Figure 15. Prevalence of design thinking in HR and talent programs

While still focusing on people, HR has the opportunity to be a team of designers, creating a more engaging and effective HR platform. Applied correctly, design thinking is a disciplined and solid method for problem-solving enabled by innovation and technology.

Design thinking casts HR in a new role. It transforms HR from a “process developer” to an “experience architect.” It empowers HR to reimagine every aspect of work: the physical environment; how people meet and interact; how managers spend their time; and how organizations select, deploy, engage, and evaluate people. Applying design thinking to the work experience compels HR to ask, “What does a great employee experience look like from end to end? How can we facilitate collaboration, knowledge management and learning in everything we do? How can we take advantage of location-aware mobile devices

to make people more productive? How can we give employees a few easy-to-understand choices so they can make decisions faster?”

viii. Digital HR

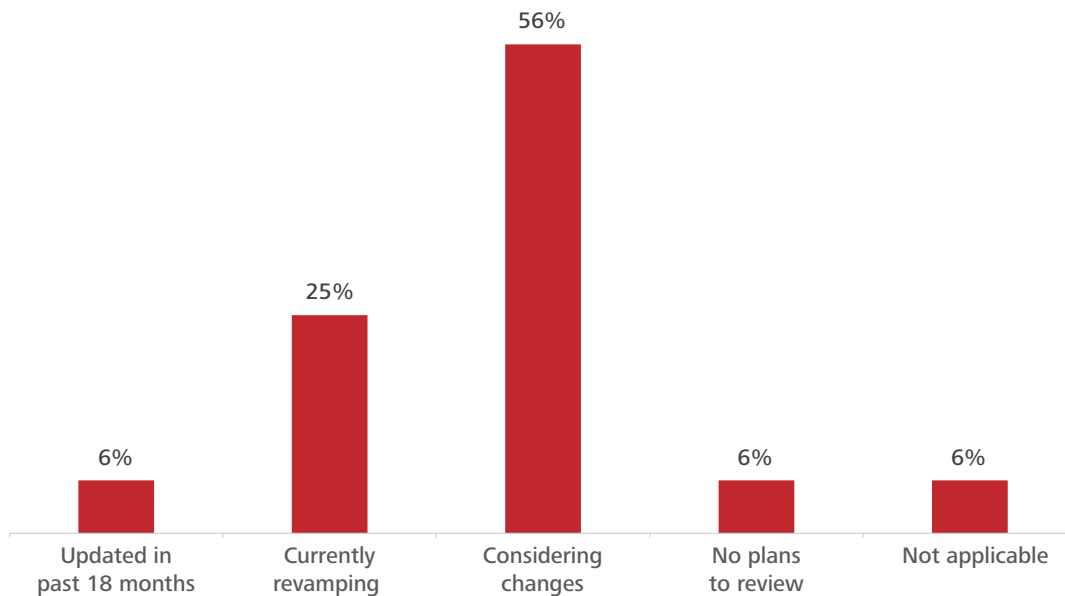
Digital has been a driving force of change across industries; and the transformation is accelerating. One can measure the pace of digital disruption in months while it takes years for an organization and its people to fully embrace such fundamental changes in the way they operate. Change management is by far the most enduring bottleneck to digital transformation. While technology adoption continues to be top of mind in all digital things, we advocate in this point of view that fundamental changes in leadership and talent attributes are far more critical to successfully embark on the digital journey.

Digital transformation is no longer a niche interest as it jumps out of the tech department and into the boardroom of leaders across industries, sectors and geographies. The current digital age is but a stepping-stone in the evolution of a world enabled by the exponential use of technology in the workplace. The digital age is moving at such a fast pace that it is fundamentally transforming the way organizations operate, be it in the private or the public sectors, and is requiring them to develop new ways of thinking about service delivery that influence the way operating models are designed. Hence the profound effects on the functions of the HR in these organizations and their role in identifying new approaches to managing people.

In the Middle East, 56% of organizations are still only considering changes. This includes designing mobile applications, end-to-end user experiences and other new disciplines for HR combining design thinking with apps, video, social and mobile technologies. Digital HR represents a new platform for improving the employee and candidate experience.

It is also worth mentioning that leading software providers are putting most of their capacity and know-how in the development of cloud-based solutions. Although it is clearly accelerating, the Middle East has been slow in adopting these cloud-based platforms which means that most countries in the Middle East have been excluding themselves from the latest technology evolutions.

Figure 16. State of organization's digital HR capability



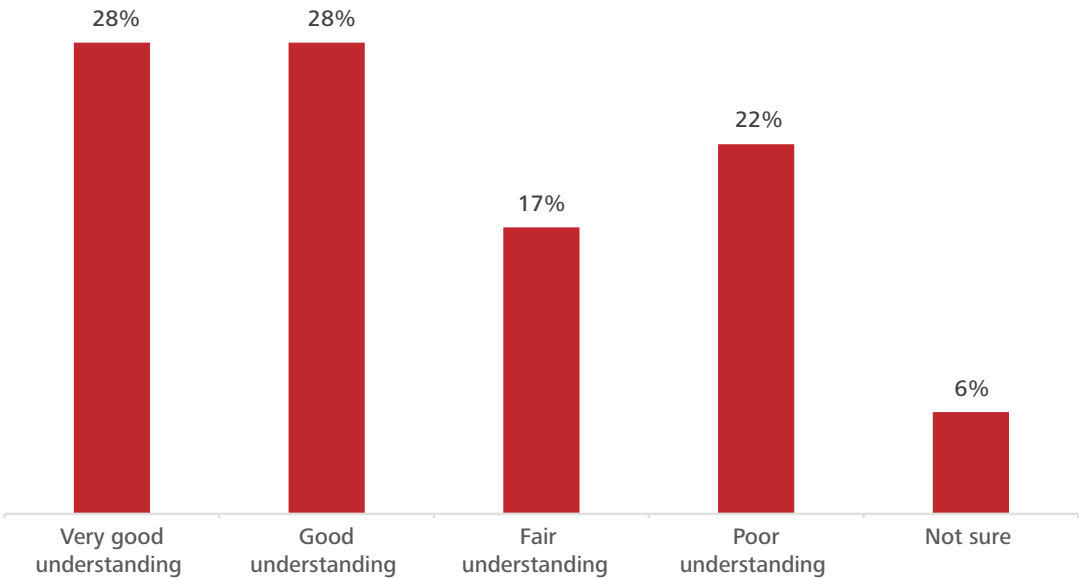
ix. Changing skills of HR

HR’s main challenge in the Middle East is the lack of understanding of the business. Only 28% of respondents claim to understand very well the industry they operate in, truly know the product or service the organization produces, etc.,

Yet, there is a general and increased level of awareness among HR professionals that HR

is shifting away from its traditional focus on compliance and services provision. HR has become an innovative consultant with a broader responsibility to design, simplify, and improve the entire experience of employees and candidates. The lack of readiness of HR to embrace business challenges questions HR’s ability to align with the business and urges HR leaders to begin to reskill, innovate, leverage technology and improve.

Figure 17. HR organization’s understanding about their company’s products, services and profit models



x. HR analytics

HR analytics typically aims to inform decision-making and enabling efficiency at both the levels of HR and the business. However there are two main challenges that organizations face in the Middle East:

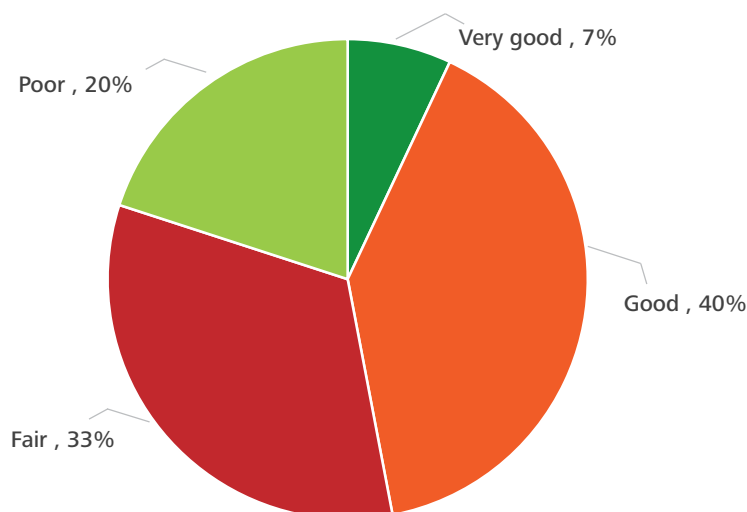
- Data governance: organizations in the Middle East struggle with the quality of data (e.g., accuracy, consistency). In fact, only 7% of interview and survey respondents believe that the quality of their data is very good. Data governance is critical to the success of HR analytics that

allow for proper general management and HR management in particular;

- Understanding HR analytics: few organizations in the Middle East understand what HR analytics are and how they can benefit both the organization and HR. 34% of respondents have a good to very good understanding only. Yet, there is very little investment in the area across HR functions and this is often limited to recruitment and payroll.

People analytics brings together HR and business data from different sources and it is now addressing a wide range of challenges

Figure 18. Quality of data available to support HR analytics



spans analyzing flight risk, selecting high potentials, predicting compliance to risks, analyzing engagement ratios, etc., Analytics technology is now available off the shelf, embedded in most Human Resource Information Systems (HRIS) and talent management systems. In the very near future it will become almost impossible to make any HR decision without analytics. There are six key trends that are shaping analytics in particular and these can be instilled in decision making every day, across the entire organization:

- There are likely to be a variety of ways in which smart people and smart machines will work alongside each other. Some humans will have to build and implement technologies, of course. Others will ensure that those technologies fit into a work process and monitor their performance, and some humans will complement computers in roles machines cannot perform well, such as those involving high levels of creativity, caring, or empathy.

- Today, building on analytics successes in discrete disciplines, leaders are beginning to take serious steps toward connecting these successes to create something we call “the insight driven organization”. This type of organization goes beyond the selective use of insights to fuel decision-making in individual parts of the business. It deploys a tightly knitted combination of strategy, people, processes and data, in addition to technology, to deliver insights at the point of action every day, everywhere in the organization.
- Innovation has always been a key force in transforming businesses and societies. Increasingly, innovation is occurring as a result of aggregating and analyzing data to create new products and services. The Internet of Things (IoT) is rapidly evolving from the realm of interesting gadgets to include tracking people to form new business models and influence people’s behaviors.

Taken together, the Middle East Human Capital Trends Report 2016 sketches out a vast and varied series of changes and challenges. As the pace of change accelerates, both decision makers and HR executives need to address these trends. The more efficiently they move, the more edge they will gain against their competitors to find themselves winning the talent war.

By now, it is obvious that universities and colleges cannot crank out data scientists fast enough to keep up with business demands. And they certainly cannot produce experienced analysts from a three-to four-year university program. Some organizations are taking a multi-pronged approach by supplementing campus recruiting with alternatives—from turning to managed analytics to cultivating in-house talent. Organizations recruiting on campus will likely find more success if they work closely with the programs on internships and student projects. Once recruited, these graduates are more likely to stay and do productive work if they have meaningful career paths and have the ability to work with others with similar skills and backgrounds.

Key observations

Where can we concretely start? While lessons can be extracted from leading organizations in the world in order to get started, the readiness of organizations in the Middle East needs to be examined as well. In fact, 60% of survey and interview respondents demonstrated ability and readiness to keep up with the requirements of organizational design.

However, organizations in the Middle East are still behind in terms of readiness to match other international trends such as HR analytics, as only 35% of respondents believe that they can match international tendencies and market requirements.

Although organizational design is ranked first as a human capital trend in the Middle East, only 60% of respondents believe that their organization is ready to address challenges related to this trend. In fact, the capability gap of organizational design is -31. A “capability gap” is defined as the difference between an organization’s “readiness” to address the issue and the organization’s “importance” of that trend (measured on a 0—100 scale). If an organization rates a trend as 80 percent “urgent” but is only 50 percent “ready” to address it, their capability gap is -30. Therefore, a more negative number translates to a greater gap. A greater gap means that this trend warrants more attention and investment than others.

Figure 19. Readiness overall

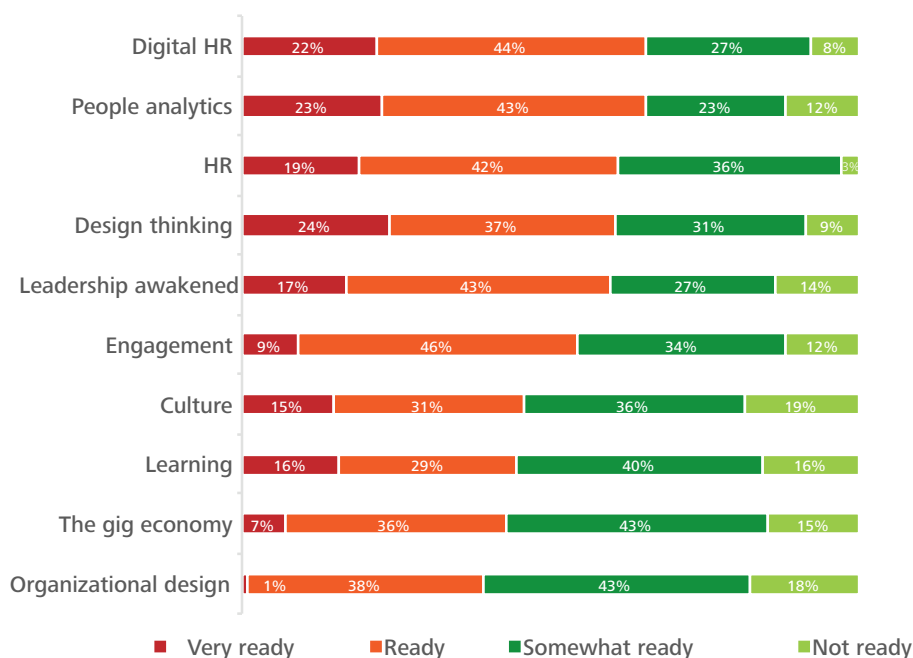
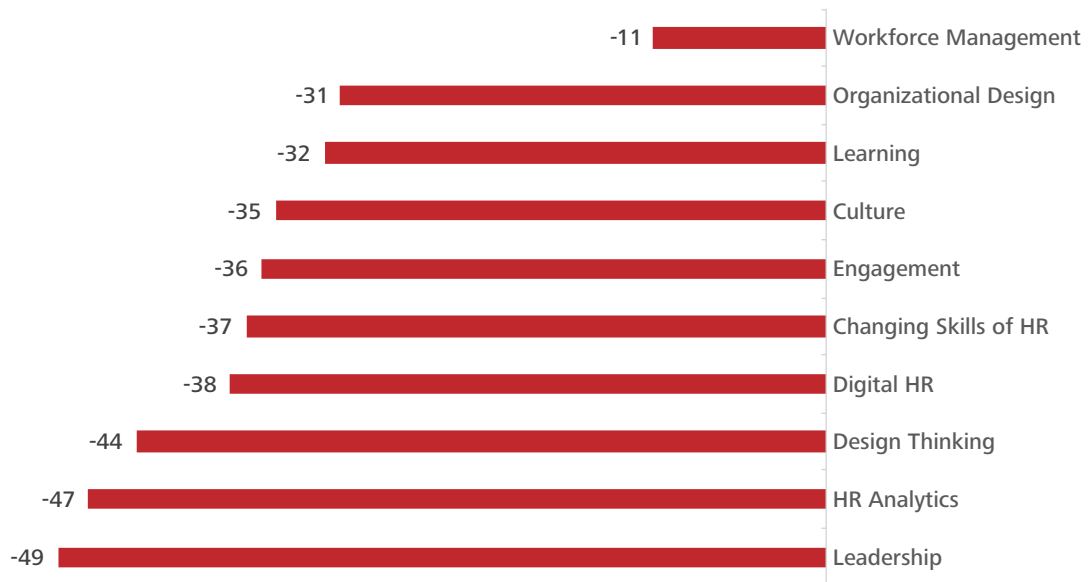


Figure 20. Capability gap analysis overall

Organizational design is composed of several sub-capabilities including, but not limited to, the decision rights assignment, the span of control optimization as well as the understanding of the organization's complexity. Assigning the appropriate decision rights throughout the organization is perceived as the weakest sub-capability within organizational design. In fact, 40% of respondents believe that their decision authority mechanism is weak compared to only 15% of respondents that consider it as excellent. Organizations should give a priority to the development of a clear decision authority matrix that outlines the responsibilities and accountabilities for every major decision across functions.

Furthermore, leadership, which is the second highest human capital trend this year in the Middle East, has the largest capability gap. Although it is given a high urgency, only 40% of respondents demonstrated the readiness to keep up with the trend, creating a capability gap of -49. Accordingly, investment and greater attention should be

granted to leadership across organizations in the Middle East. There is a pressing need to identify talent within organizations at early stages (i.e., junior to middle level careers) and to develop leadership competencies by engaging in talent management initiatives. These comprise succession planning, career development, and others typically integrated in a comprehensive framework.

Finally, 60% of respondents believe that their organizations are ready to address the workforce management trend. While this is one of the top priorities in the human capital trend in the Middle East, it has the smallest capability gap (-11) compared to others. This indicates that organizations perceive the importance of managing their diverse workforce and are ready to do address this trend by attracting, deploying, developing and retaining talent within their organizations. Additionally, they are increasingly open—particularly in the UAE—to alternative forms of contractual employment (e.g., contingent workforce, contractors, consultants, etc.).

Concluding remarks and solutions

For every human capital trend, a set of immediate next steps has been identified to help organizations in the Middle East act rapidly.

1. Organizational design

- a. Middle East organizations are invited to rethink how they are structured to keep up with the requirements of the economy and the overall organization. Their teams need to be “mission-driven” and focused on customers, services, products or markets rather than strictly on a function;
- b. A team-driven structure is one that enables flow of information, successful networks, integrated data, etc., Accordingly, organizational layers are eliminated and collaboration is further encouraged;
- c. When structure is built around teams, teams should be rewarded and the concept of team leadership nurtured as well. Accordingly, teams are held accountable for results and they are given the opportunity to set their own goals.

2. Leadership

- a. Middle East organizations need to define the leadership that is required for today and tomorrow based on business priorities;
- b. A simple yet empirically proven leadership framework has to be built for selection, identification, assessment, development and succession;

- c. Leaders have to be developed at all levels of the organization starting with junior employees through to senior leaders;
- d. There is a pressing need to up-skill middle managers who often constitute a bottleneck to decision-making and to efficiency in organizations across the Middle East;
- e. Leadership programs need to be bespoke and targeted to employee requirements particularly those of nationals, millennials and women;
- f. Leadership programs have to survive economic downturns as they need to be perceived as a long-term investment for organizations.

3. Learning

- a. Organizations should not think through the lens of a learning function. Instead, learning needs to be perceived as an end-to-end experience. Employees are customers, they are no longer students;
- b. Organizations have to revisit their learning offerings and learning spending needs to be rationalized based on the actual and prospective needs of individuals and the organization;

- c. The digital experience has to be part of the learning experience through the increased use of digital tools (e.g., mobile, social and web-based platforms);
- d. Learning is a form of culture that has to be instilled in the organization across the Middle East. In fact, organizations should adopt a learning architecture that supports continuous learning: dedicate resources, set expectations, and align corporate culture with the goal of enabling employees to get the learning they need, when they need it, at every stage of their careers.

4. Workforce management

- a. Procurement, technology, and strategy should join HR to produce robust workforce plans for different types of labor and technology combinations;
- b. New workforce models and new combinations of talent and technology are critical for improving corporate productivity;
- c. Organizations operating in the Middle East will be increasingly developing new workforce and automation models that focus on engagement and the skills of a critical workforce.

5. Engagement

- a. Middle East organizations have to redefine engagement in line with global trends, the changing dynamics of the market, and the workforce that is transforming. Increasingly, employees are seeking purpose in the workplace and new forms of benefits;

- b. While organizations in the Middle East have been creating, measuring and monitoring engagement, it is time to focus on three levels of engagement: the organization, the team and the individual;
- c. While the most common engagement management program is the annual survey, organizations in the Middle East need to keep the conversation open with employees through other forms of engagement initiatives such as “stay interview”. In fact, engagement is not reactive but proactive.

6. Culture

- a. Middle East organizations need to realize that culture is a CEO’s priority as much as it is a HR priority. It is a topic that cannot be delegated;
- b. A serious assessment of what type of culture an organization wants needs to take place, and this must be both formally documented in an organization’s set of values and informally reflected in the operating model;
- c. A maturity assessment for the current state of an organization’s culture against the desired state of organizational culture is a good starting point to identify how to bridge the gap and connect cultural change programs to behaviors and corporate strategies;
- d. It is critical to be able to measure Middle East organizations’ culture. Empirical tools are available to be able to understand behavioral trends and how they can reflect values, norms, communications, etc., This is HR’s role.

7. Design thinking

- a. Organizations in the Middle East need to increasingly embed customer-service competencies into HR functions;
- b. HR functions are moving from process-design towards people-design. HR functions in the Middle East can start by studying what employees do, visiting their work sites, observing their behaviors, etc., Based on this information, solutions and programs can be designed to increase productivity, engagement and happiness;
- c. HR can run pilots with small groups or departments for new ideas or programs prior to generalizing them or tailoring them to the whole organization. It is important that HR innovates, tests, and extracts lessons learned to continuously adapt to the environment in which it operates.

8. Changing skills of HR

- a. Organizations in the Middle East need to rethink the role of HR, its mission, and role as well as its service delivery model;
- b. HR in the Middle East needs to invest further in technology that aims at enabling the business and at informing decision-making;
- c. HR needs to be up-skilled and equipped with further capabilities to accompany the changing ecosystem from three perspectives: people, processes, and technologies.

9. HR analytics and digital HR

- a. Organizations in the Middle East need to think of building a single team for analytics focusing primarily on data governance and investing initially in increasing HR data accuracy. The team would act as a consultant that engages directly with the business and help apply findings. This team should work hand in hand with other analytics teams in departments such as IT, marketing, etc., to provide the optimal user experience for employees and candidates;
- b. Organizations in the Middle East should keep up with international trends and best practices with regards to HR analytics and HR technologies. This is of paramount importance to also better understand matters related to security, privacy and anonymity;
- c. Organizations in the Middle East need to reimagine HR and the employee experience in real time. This is a call to automate many areas of HR. With every employee having a smartphone, HR teams can automate, streamline, and adopt more real-time and digital first operations.

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End Notes

1. GCC refers to the Cooperation Council for the Arab States. Its member states are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.
2. Gross domestic product (GDP) is a monetary measure of the value of all final goods and services produced in a period (quarterly or yearly).
3. Millennials are the demographic cohort following Generation X. There are no precise dates for when the generation starts and ends; most researchers and commentators use birth years ranging from the early 1980s to the early 2000s.
4. A Massive Open Online Course is an online course aimed at unlimited participation and open access via the web. In addition to traditional course materials such as filmed lectures, readings, and problem sets, many MOOCs provide interactive user forums to support community interactions among students, professors, and teaching assistants.

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