



Gulf Cooperation Council Research Brief: Leading Effectively in the Gulf and the Kingdom of Saudi Arabia

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Leadership is a key factor in organizational success. True visionary leadership is one of the rarest resources that can generate a significant competitive advantage, and over which organizations compete fiercely. This is especially true in the uncertain, fast changing and diverse environment that characterizes the economies of the Gulf Cooperation Council (GCC).

The Gulf enjoys one of the most diverse workforces in the world with employees from more than 100 countries. As these people work together, clashes of cultures and managerial styles emerge. An increasing number of organizations realize that strong leadership capable of inspiring and uniting such a diverse workforce around the organization's mission is what they require to gain a competitive edge and succeed in the region. Yet, the majority still struggle in terms of identifying, finding and developing the right caliber of leaders.

Inherently, executives and HR practitioners alike know that leadership can, and perhaps should, be adapted to the culture and geography. In this report, we use current employee data to answer the question, "How is leadership different in the GCC and specifically in Saudi Arabia?" We identify the aspects of work that drive leaders' effectiveness in the region and suggest data-based recommendations for building the strong leadership necessary to support the exponential growth experienced and expected in the GCC.

This report uses data collected through the Kenexa® Research Institute WorkTrends™ study, a comprehensive survey effort with 125 questions about workplace issues such as managerial and leadership effectiveness, work processes, training and development, diversity practices, turnover intention and employee engagement. Survey participants are randomly

selected and are full-time employees in organizations with more than 25 workers. In 2009, the WorkTrends study collected the opinions of workers from around the world, including approximately 10,000 U.S. citizens, and 1,000 individuals in each of the following countries: Brazil, Canada, China, France, Germany, India, Italy, Japan, Spain, and the United Kingdom, and 750 individuals in Russia.

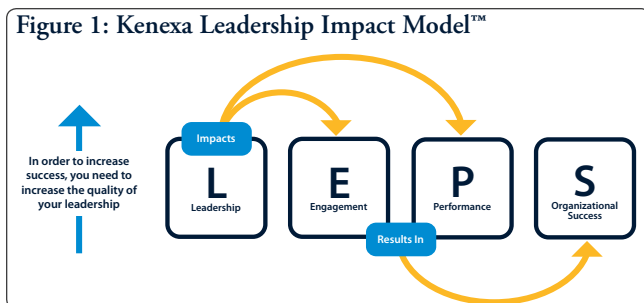
The Gulf Cooperation Council countries were surveyed in 2008 and 2009; these data were combined for this report. The GCC countries' samples varied in size, and included Saudi Arabia (1250 employees surveyed), United Arab Emirates (572), Qatar (251), Bahrain (244), Oman (237) and Kuwait (394). Altogether, 2,948 employees responded to the WorkTrends survey in the GCC region, contributing to the 21,920 employees surveyed globally in 2009.

Leadership Effectiveness Defined

At its core, Kenexa believes that leadership is the ability of a person to inspire, communicate, unite and guide others toward accomplishing a common task. We define leadership as how and what leaders do with and for their teams to achieve a goal and succeed. Kenexa's Leadership Impact model shows that responsible leadership drives superior organizational performance and engagement (see Figure 1). As a result, organizations are increasingly trying to find tools to measure accurately leadership performance and effectiveness.

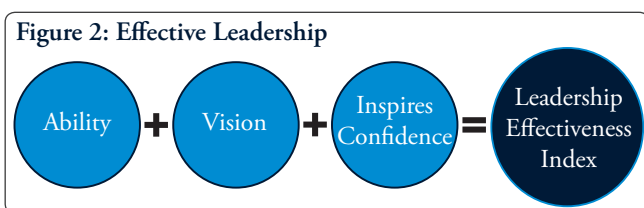
Leadership Effectiveness Index

Leaders are defined through the willingness of others to follow their plan and get results. Therefore, one of the best ways to measure the performance of a leader is through the perceptions of his/her team.



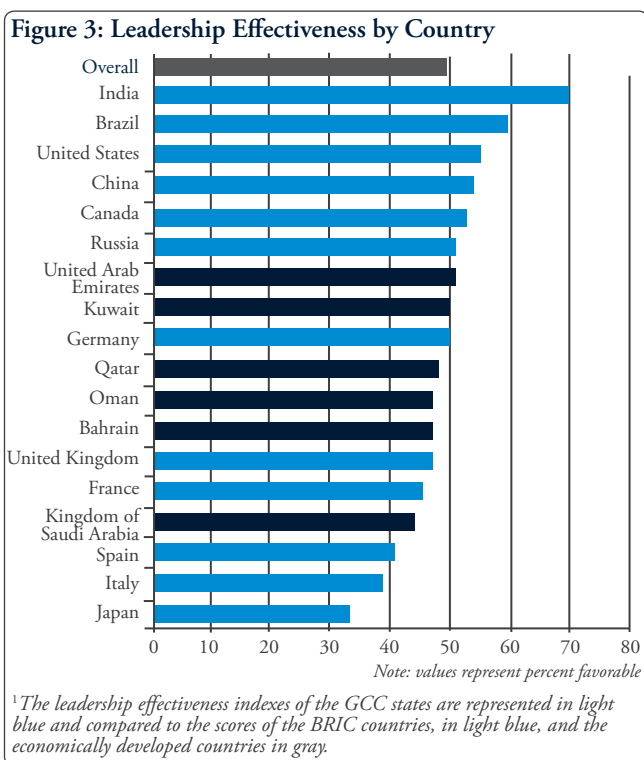
Effective leaders are those who:

- Have the ability to handle the organization’s challenges
- Communicate a clear vision of the future
- Inspire confidence in their employees



Leadership Effectiveness in the GCC

According to these data, only one out of two people in the GCC believe that their leaders are effective. The United Arab Emirates has the highest leadership effectiveness score followed by Kuwait and Qatar. Saudi Arabia has the lowest score among the GCC countries (see Figure 3)¹.



While the GCC region ranks better than most surveyed European states, its leadership effectiveness score remains below the global average. In fact, when compared to the global scores, the GCC ranks in the bottom half of the list. Furthermore, leadership effectiveness in the GCC is lower than in the United States, Canada and the fast-growth economies of the BRIC countries: Brazil, Russia, India and China.

We can hypothesize about the reasons behind the lower leadership effectiveness scores in the GCC. These are numerous and complex; the diversity of the labor force, the scarcity of leadership talent, the limited leadership development efforts among other factors could greatly influence the effectiveness of business leaders in the region. This is why it is important for organizations operating in the region to consider the labor and culture dynamics in determining what constitutes effective leadership in the GCC.

Leadership Drivers in the GCC

While leadership is often thought of as the top of the organizational hierarchy, being an effective leader starts by inspiring, creating and supporting a followership. If a leader understands how employees perceive leadership, their varying needs, and what they expect from leaders, s/he has a higher chance of meeting their expectations and increasing his or her leadership effectiveness.

Employees assess their leaders based on a number of factors such as their ability to adapt to fast changing environments, support quality and communicate organizational goals clearly. These factors vary between organizations, industries and geographies. Listed in order of importance, Figure 4 compares the GCC and global drivers of leadership effectiveness.



There are striking similarities; 50% of the drivers overlap in the GCC and global lists. In effect, employees throughout the world, including the GCC, believe that the ability of a leader to respond to marketplace changes and communicate openly and honestly are important determinants of leadership effectiveness.

Additionally, confidence in the organization's future and foci on quality and improvement, and innovation both emerge in the GCC and global leadership effectiveness drivers. This could simply be a reflection of increased globalization. Today, organizations face the same pressure to be quick, innovative and offer quality products. These characteristics of leadership effectiveness are likely more indicative of leadership fundamentals, present in a wide variety of geographies.

However, there are some differences between the GCC and global drivers as well. Globally, employees expect their managers to be outstanding leaders who can motivate teams to work hard and put in an extra effort. They also value the corporate responsibility efforts that increase their overall work satisfaction. These drivers emphasize leadership that evokes contribution and translates a positive organizational future into a future for employees. This could be a result of the current financial crisis, which has shifted employees' concern from the individual to the organizational level.

At the same time, employees in the GCC associate effective leadership with being able to envision a promising future in the organization and expect their leaders to involve them in decisions that affect their work, emphasizing an employee-centric approach to leadership. These findings are contradictory. We concurrently see individuals have concerns about their own work, more so than having concerns about the organization. It is worth noting that although some industries in the Gulf were badly affected by the global financial crisis, the GCC, in general, was not as negatively affected by the crisis as other countries. This could translate into employees being more concerned about their own personal future since that of the organization is not perceived to be at risk.

Perhaps the participative decision-making driver reflects the importance of strengthening consultative decision making practices in the GCC in light of the dominance of the patriarchal leadership style. Another reason is that the markers of a more employee-centric approach to GCC leadership are a result of the influence of western managerial practices, coupled with the dominance of expatriates in the private sector's labor force. It might also be the result of perceived exclusion due to the divergence and cultural distance that separate expatriates and nationals, whereby national employees might feel excluded by

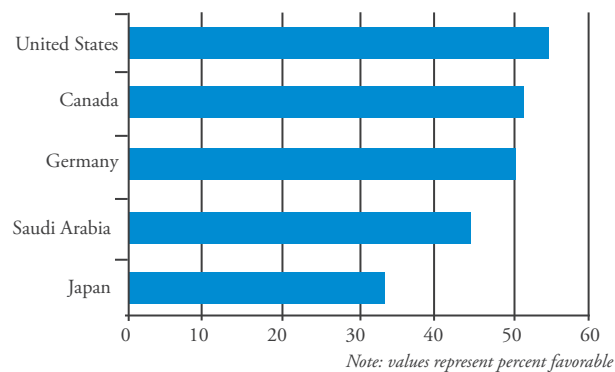
their expatriate managers and vice versa. Regardless of reason, these data indicate that GCC leaders may be well-served by fostering a more participative style of leadership, involving employees in decisions in their current role, and about their futures at the organization.

Leadership Effectiveness in Saudi Arabia

Saudi Arabia, the largest country in terms of size, economy and population in the GCC, presents a unique leadership case in that it registered the lowest leadership effectiveness index score in the Gulf. This could be somewhat intriguing considering the 10x10 ambitions of the country to become one of the top 10 most competitive countries in the world by 2010².

Using the World Economic Forum's 2009 competitiveness list³, we compared Saudi Arabia's leadership effectiveness scores to the top 10 most competitive countries for which we have data. On the top 10 list, the U.S. is the most competitive country in the world, Germany ranks seventh, Japan is ninth, Canada 10th and Saudi Arabia is 27th. Figure 5 shows the leadership effectiveness scores of each of these five countries.

Figure 5: Leadership Effectiveness in Saudi Arabia Compared to Highly Competitive Economies



According to the WorkTrends data, only 44% of expats and nationals, respectively, rate their leaders favorably in Saudi Arabia. It is interesting to note that both the number of expatriates and nationals who rate their leadership as favorable is similar. Evidently, both types of employees believe that the Kingdom is facing a leadership challenge, which may pose a serious risk for the future economic development of the country.

Where are the Effective Leaders?

To identify the reasons affecting leadership effectiveness in Saudi Arabia, we took a deeper look at the country's data. Looking at individual industries⁴, we see that some sectors may have an advantage in leadership; the WorkTrends data demonstrate

²Saudi Arabia General Investment Authority www.sagia.gov.sa

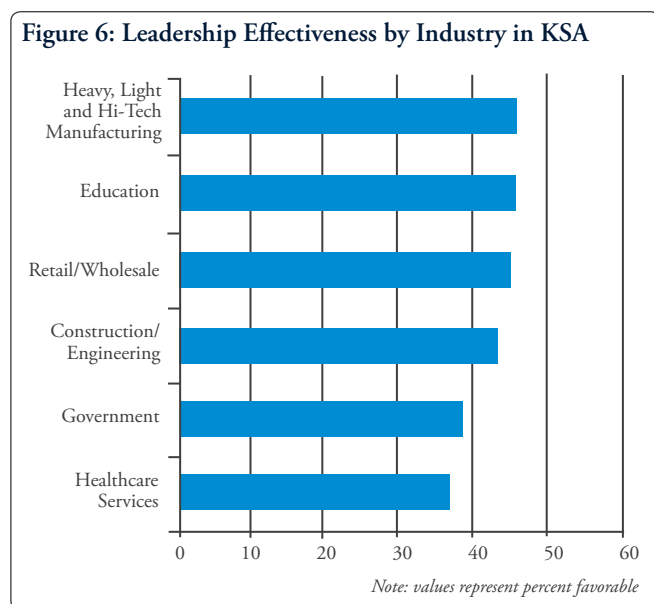
⁴"Global Competitiveness Report 2008-2009," World Economic Forum www.weforum.org

³KRI used samples close to 100 to run comparisons by industry. Energy, oil and finance industries' samples were too small to be included in the comparison.

that employees in the heavy, light and hi-tech manufacturing and education sectors are most satisfied with their leaders, with 46% of respondents rating their leaders as effective (see Figure 6). Hi-tech manufacturing and education are among the fastest growing industries in Saudi Arabia, which may afford leaders and organizations resources dedicated to leadership improvement. Perhaps these sectors have had the opportunity to embrace leadership development and selection in a more comprehensive way, or the industries attract the best and brightest employees. During the past decade, the Saudi government has put great emphasis on the development of education, investing heavily in the sector, which could suggest that organizations in the education field attract and recruit highly qualified individuals.

Employees in the healthcare services, however, are the least satisfied with their leaders; only 37% of respondents said their leaders are effective. This could be explained by the acute labor shortage the industry is experiencing. It is also worth noting that the quality of health service in Saudi Arabia might have a role in the low leadership effectiveness score of the industry. According to the Saudi Arabia statistics department, the country's health outcomes are average or slightly worse than those of most other countries with a similar level of income, and also compared to the Gulf Countries.

There are bright-spot industries with regard to leadership effectiveness and areas for improvement. Below is a list of the drivers of leadership effectiveness in Saudi Arabia and the GCC so that leaders may set their sights on improved effectiveness.



As shown in Figure 7, employees in Saudi Arabia, the GCC and globally alike, rank favorably leaders who:

- Respond quickly to change in the market place
- Serve multiple stakeholders
- Create a two-way communication channel
- Encourage innovation
- Value quality and improvement
- Inspire confidence in the organization's future

Yet, there are a few noteworthy differences between the GCC and Saudi Arabia. Given Saudi Arabia's relatively lower leadership effectiveness scores, these may be areas for improvement for Saudi leaders; however, each organization needs to assess the cultural fit of these practices for themselves. For employees in Saudi Arabia, the driver "employees are motivated to work hard" stands in contrast to the entire GCC region's driver, "inclusion of employees' participation in decision-making," the latter of which is indicative of authoritarian, hierarchical organizational



structures. Culturally, this practice is understandable. When viewed through a competitive lens, however, employees may be marking a key differentiator. It would behoove Saudi leadership to consider the benefits, as well as the cultural liabilities, of employee motivation through employee participation rather than authority.

For GCC, but not Saudi employees, leadership effectiveness is associated with their ability to envision a promising future for themselves at the organization. Given that Saudi Arabia is the largest economy and the first to start relying on expatriate workers, it is possible that foreign employees in Saudi Arabia tend to be more realistic about their future careers than those in the GCC. This may result in different work cultures and employee expectations in the GCC compared to Saudi Arabia. For example, an employee in Dubai can fairly and realistically expect a promotion within 9 or 12 months of being hired.

In Saudi Arabia, employees realize that promotions are not automatic and may take time. What is interesting to note is that GCC employees, but not Saudi employees, feel that it is their senior leaders' responsibility to create a promising future for them at the organization, a duty that might fall to an immediate manager, the individual themselves or a function of nationality or culture in Saudi Arabia. For the sake of employing a fulfilled and stable workforce, Saudi organizational leaders should ask themselves, who is responsible for offering employees a promising future at our organization?

The focus on diversity in the Kingdom as well as in the GCC is also noteworthy. As Saudi Arabia pursues "Saudisation" efforts, employees may be signaling that an inclusive workplace is critical. Regardless of the level of homogeneity of the workforce, expatriates and nationals, members of various religious sects and employees belonging to different family lineages will need to work together in order to support and drive organizational success. Effective leaders in the region know how to foster and support a diverse workforce.

Insights and Recommendations

At KRI, we strive to offer our clients data-driven solutions for their workforce management challenges. Because of its pivotal role in setting the organizational strategy and marshalling the resources to meet goals, leadership plays a critical role in an organization's success. This research offers three areas leaders can target in their efforts to improve their effectiveness.

Manage Diversity

Managing diversity in a workforce brings about challenges. With Saudi Arabia's heavy reliance on expatriate workers in the context of the Saudisation effort, conditions are ripe for conflict, which may induce lower levels of cooperation and productivity. Leaders in Saudi Arabia are

faced with the challenge of balancing mandated workforce policies with fostering a work culture where all employees feel valued. Often, perceptions of fairness underpin employees' perceptions of the organization's commitment to valuing diversity. HR and top organizational leaders need to set a tone of tolerance and be clear about their expectations and goals as they relate to valuing diversity at work. Establishing formal, transparent structures and policies for job descriptions, career pathing, promotion, and compensation will help employees accurately gauge the fairness of the treatment they receive at work. Employees will trust leaders more if limitations are openly communicated and understood.

Specifically, offering promotions fairly can be a challenge. Often, managers and leaders promote workers most like them; those who think similarly and whose perspectives they trust. Unfortunately, this practice often leads to homogenous leadership and management teams that cannot benefit from new ways of thinking and doing business, which may, in the long-run, be a detriment to innovation and keeping pace with the evolution of the industry. As suggested previously, formalizing promotion decisions based on objective measures of talent not only strengthens employees' perceptions of fairness, but also selects the very best person for the job based on their expertise, performance and aptitude—a practice that further strengthens the leadership team and the organization.

Balance Employee Participation with Motivation Through Authority

Organizations have cultures that are often heavily influenced by country culture; they vary on a wide continuum of employee participation in decision-making. There are benefits to both consensus approaches and hierarchical modes of decision-making. In this research, we see that the perceptions of GCC leadership effectiveness are driven more strongly by employee participation than the Saudi Arabian model of leadership. Given Saudi Arabia's relatively lower leadership effectiveness scores, it may behoove Saudi leaders to explore ways to solicit employee opinions and integrate them into decisions where appropriate. Doing so fosters employees' sense of involvement in the work and belief that their perspective is valued by the organization, which, in turn, can strengthen employee commitment to the organization and its leaders.

To begin to involve employees in decisions that affect their work, solicit opinions early in the process. Ask them for their opinion, the benefits and costs of using their approach, and the factual, objective rationale for their choice. If more than one employee should be involved, weigh the costs and benefits openly with the group. When the leader either makes or agrees to the final decision, employees will already be committed to the solution and ready to move the project forward.

Offer a Promising Future to Employees

While employees in Saudi Arabia and the GCC both associated leadership effectiveness with their confidence in the future of the organization, GCC employees go a step further and expect good leaders to translate the organization's future into a picture of their own future at work. Whether a healthy financial picture or big changes on the horizon, employees expect leaders to envision where they will fit and what it means for them and their livelihood.

This process starts with top leadership. If organizational strategies succeed, what skills and abilities are needed? What jobs will not be as critical? How will achieving organizational goals change the talent composition? With the answers to these questions, HR can translate talent needs into career paths and development plans for certain job families, and identify new talent yet to be acquired. Then, managers of affected groups can have honest conversations with their teams about their career options in the organization based on each employee's current performance and future interests.

Conclusion

With its diverse workforce, the GCC represents a complex labor market calling for a unique leadership style that encompasses the global trends while respecting the national customs and values. In the past, organizations had a tendency to import ready-made solutions from the West and apply them in the region. While this might have worked when the majority of private sector employees came from the West, today, with the increasing numbers of GCC nationals joining the private workforce, the solutions may no longer fit. Organizations operating in the GCC need leaders who not only understand the cultural differences, but who are able to bridge the gap between these cultures and unite employees around the same organizational values and culture.

It is also crucial that organizations understand the national differences in each of the GCC states. The Saudi Arabia case has shown that there are national characteristics in the GCC that must be attended to separately. What works in Saudi Arabia might not fit in Kuwait and what is successful in the United Arab Emirates might fail in Bahrain. A successful GCC leadership approach is one that is adapted to the specific organizational environment and responds to the exact needs and specificities of the location.

⁵Saudi Deputy Labor Minister Abdul Wahid Al-Humaid at a press conference on March 2008 mentioned lack of adequate skills as one of the main reasons for unemployment of youth in Saudi Arabia. "Unlocking the Employment Potential in the Middle East and North Africa," World Bank Mena Report 2004.

In order to improve leadership effectiveness, leaders in the GCC and Saudi Arabia need to take a step back and consider the root cause of their lower scores. Although organizations work hard to develop leaders, the leadership shortage in the region is a likely impetus. The national population in the GCC is very young and lacks work experience, especially in the private sector. Furthermore, the education system, while adequate in terms of basic skills and knowledge, does not prepare the next generation for the private sector needs resulting in a mismatch between employer needs and available skills⁵. As governments work hard to improve the educational system, organizations have an increased responsibility of closing the leadership gap and investing in developing the leadership talent they need to succeed and turn the leadership challenge into their competitive advantage. ■

About Kenexa

Kenexa provides business solutions for human resources. We help global organizations multiply business success by identifying the best individuals for every job and fostering optimal work environments for every organization. For more than 20 years, Kenexa has studied human behavior and team dynamics in the workplace, and has developed the software solutions, business processes and expert consulting that help organizations impact positive business outcomes through HR. Kenexa is the only company that offers a comprehensive suite of unified products and services that support the entire employee lifecycle from pre-hire to exit.

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